

Clipper® Executive Board

May 16, 2022

Agenda Item 4d

Draft Clipper® Two Year Budget and Work Plan

Subject:

The Clipper budget and work plan for Fiscal Years (FYs) 2022-23 and 2023-24 for the Executive Board's review and discussion.

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 review are the budget and work plan for FYs 2022-23 and 2023-24. Included as attachments to this memo are the Clipper Draft Operating Budget and the Clipper Draft Capital Budget along with estimated projections of both the Operating and Capital Budget to FY 2026-27.

Details of the Clipper Two Year Operating and Capital Budget are listed below.

1. In both Operating and Capital Budgets, costs for the current Clipper system are expected to decrease, while resources are shifted to next-generation implementation, accelerated deployment, and transition efforts, until Clipper is fully transitioned to the next-generation system in FY 2024-25.
2. This Clipper Draft Operating Budget is balanced for both Fiscal Years (FYs) 2022-23 and 2023-24, with a projected deficit in the third year (FY 2024-25). Staff recognizes the need to offset that deficit, but has not yet identified fund sources or made assumptions about fund availability for the third year of the program.

3. Based on expected cost-sharing agreements and the need to operate two parallel systems until 2024, operational costs are expected to increase in FYs 2022-23 and 2023-24 for both MTC and the transit operators. Beginning in FY 2024-25, when the current Clipper system is entirely transitioned to the Next Generation account-based system, Operating expenses are expected to decrease and stabilize as the Next Generation system becomes fully functional.
4. The Clipper Projected Capital Budget is currently funded through the System Completion milestone in 2024. However, Clipper staff are planning additional capital work as well as additional procurement of equipment after System Completion, as capital needs are projected to remain even after the System Completion milestone is achieved. Funding has not yet been identified for these additional capital expenditures, but staff will continue working with MTC's Funding Policy and Project staff to identify potential future funding sources.
5. Availability of Regional Measure 3 (RM3) funds continue to be pending litigation outcomes, but new alternative funding sources such as OBAG3 have been identified to partially cover costs. If or when RM3 funds are available, these new alternative sources would be freed for other regional projects, as Clipper staff is not requesting alternative funds in addition to RM3 funds. Clipper staff have been following updates on the availability of RM3 funds and are working closely with MTC's Funding Policy and Programs staff to identify other fund sources in case they are needed.

MTC and transit operator staff will continue to work together to update the operating and capital budgets and plan to return to the Clipper Executive Board next month to obtain approval for the Clipper Two Year Budget and Work Plan. Staff will also plan to update the Board six months after the approval of the Clipper Budgets on how expected costs align with actual costs.

Issues:


None identified.

Recommendations:

Information

Attachments:

- Attachment A: Clipper Draft Operating Budget – April 26, 2022
- Attachment B: Clipper Draft Capital Budget – April 28, 2022

A handwritten signature in blue ink, reading "Carol Kuester", is written over a horizontal line.

Carol Kuester

CLIPPER® **DRAFT** OPERATING BUDGET - APRIL 26, 2022

Item No.	Descriptions	Current FY 21/22 (\$M)	FY 22/23 (\$M)	FY 23/24 (\$M)	FY 24/25 (\$M)	FY 25/26 (\$M)	FY 26/27 (\$M)	Total FY 22/23 - FY 26/27
MTC Operating Costs								
1	MTC Staff - Current Clipper Operating	\$0.7	\$0.6	\$0.4	\$0.0	\$0.0	\$0.0	\$1.0
2	MTC Staff - Next Gen Clipper Operating	\$0.7	\$1.0	\$1.3	\$1.7	\$1.8	\$1.9	\$7.8
3	Current Clipper Operating Costs - MTC	\$11.3	\$10.5	\$6.0	\$0.3	\$0.0	\$0.0	\$16.8
4	Next Gen Clipper SI Operating Costs - MTC	\$0.8	\$2.6	\$7.2	\$9.3	\$9.9	\$10.1	\$39.1
5	Next Gen Clipper CSC Operating Costs - MTC	\$0.0	\$1.0	\$2.0	\$1.6	\$1.6	\$2.1	\$8.3
6	Next Gen Clipper Fare Media Operating Costs - MTC	\$0.0	\$0.2	\$1.2	\$1.2	\$1.3	\$1.3	\$5.2
7	Mobile App Fees - MTC	\$0.4	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$5.0
8	Clipper Operations - Misc.	\$0.3	\$0.3	\$0.3	\$0.4	\$0.4	\$0.4	\$1.8
9	In Person Customer Service Centers	\$1.1	\$1.1	\$1.2	\$1.2	\$1.3	\$1.3	\$6.1
10	Customer Education Program	\$1.7	\$2.1	\$1.8	\$1.9	\$2.0	\$2.1	\$9.8
11	<i>Subtotal MTC expenses</i>	<i>\$17.0</i>	<i>\$20.4</i>	<i>\$22.4</i>	<i>\$18.6</i>	<i>\$19.2</i>	<i>\$20.2</i>	<i>\$100.8</i>
Transit Agency Operating Costs								
12	Current Clipper Operating Costs - Transit Agencies	\$10.7	\$12.5	\$12.0	\$0.5	\$0.0	\$0.0	\$25.0
13	Next Gen Clipper SI Operating Costs - Transit Agencies	\$0.8	\$2.6	\$7.2	\$9.3	\$9.9	\$10.1	\$39.1
14	Next Gen Clipper CSC Operating Costs - Transit Agencies	\$0.0	\$1.0	\$2.0	\$1.6	\$1.6	\$2.1	\$8.3
15	Next Gen Clipper Payment Services Operating Costs - Transit Agencies	\$0.0	\$2.2	\$4.0	\$4.1	\$4.2	\$4.4	\$18.9
16	Retail Commissions	\$0.0	\$1.3	\$1.8	\$1.8	\$1.9	\$2.0	\$8.8
17	RTC Program	\$0.0	\$0.5	\$0.6	\$0.6	\$0.6	\$0.6	\$2.9
18	<i>Subtotal Transit Agency expenses</i>	<i>\$11.5</i>	<i>\$20.1</i>	<i>\$27.6</i>	<i>\$17.9</i>	<i>\$18.2</i>	<i>\$19.2</i>	<i>\$103.0</i>
19	Total Operating Costs (MTC+Transit)	\$28.5	\$40.5	\$50.0	\$36.5	\$37.5	\$39.4	\$203.8
MTC Operating Revenues								
15	Total STA Revenues	\$6.3	\$7.5	\$7.7	\$7.8	\$8.0	\$8.0	\$39.0
16	Total RM2 Marketing Revenue	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$5.5
17	Additional RM2 Marketing Revenue ³	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$8.5
18	Additional RM2 Operating Revenue ³	\$1.7	\$1.7	\$2.0	\$2.0	\$2.0	\$2.0	\$9.7
19	CARES Act	\$4.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
20	Additional RM2 (Reclassified)	\$0.0	\$1.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.0
21	STA Reserve	\$0.0	\$2.5	\$0.0	\$0.0	\$0.0	\$0.0	\$2.5
22	Card and Fare Media Fees	\$0.0	\$0.2	\$1.2	\$1.2	\$1.3	\$1.3	\$5.2
23	Unregistered Inactive Funds	\$0.0	\$0.0	\$3.4	\$0.0	\$0.0	\$0.0	\$3.4
24	Float Account Interest	\$0.0	\$0.0	\$1.2	\$1.2	\$1.2	\$1.2	\$4.8
25	State of Good Repair (SB1) ⁴	\$1.5	\$1.5	\$0.3	\$0.0	\$0.0	\$0.0	\$1.8
26	Total Transit Agency Revenue	\$11.5	\$20.1	\$27.6	\$17.9	\$18.2	\$19.2	\$103.0
27	Total Operating Revenue	\$28.5	\$37.3	\$46.2	\$33.0	\$33.5	\$34.5	\$184.4
28	Operations Reserve ⁵	\$7.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
29	Net Budget	\$7.0	\$3.8	\$0.0	(\$3.5)	(\$7.5)	(\$12.4)	

³ Contingent upon availability and MTC Commission Approval

⁴ Used for Next-Gen Clipper Operating Startup Costs

⁵ Operations Carry Forward From Prior Year = \$7.0M (\$2.5 STA Reserve, \$1.1M Float, \$3.4M Inactive Funds)

CLIPPER® **DRAFT** CAPITAL BUDGET - APRIL 28, 2022

Item No.	Description	Current FY 21/22 (\$M)	FY 22/23 (\$M)	FY 23/24 (\$M)	FY 24/25 (\$M)	FY 25/26 (\$M)	FY 26/27 (\$M)	5 YEAR TOTAL - FY 22/23 - 26/27 (\$M)
Capital Costs								
1	Current Clipper Cards & Fare Media	\$4.0	\$2.0	\$0.0	\$0.0	\$0.0	\$0.0	\$2.0
2	Next Gen Clipper Cards & Fare Media	\$3.0	\$3.0	\$3.0	\$2.0	\$2.0	\$1.0	\$11.0
Current Clipper System								
3	MTC Staff	\$0.9	\$0.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.5
4	Consultants	\$0.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
5	System Enhancements and Infrastructure Replacement	\$0.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Next Generation Clipper System								
6	MTC Staff	\$3.3	\$2.9	\$3.5	\$3.7	\$3.9	\$4.1	\$18.0
7	Consultants	\$2.5	\$2.2	\$2.3	\$2.0	\$1.5	\$1.5	\$9.5
8	System Integrator Contract	\$46.8	\$35.3	\$6.1	\$0.0	\$0.0	\$0.0	\$41.4
9	Next-Gen Clipper Equipment	\$0.0	\$51.7	\$0.0	\$0.0	\$0.0	\$0.0	\$51.7
10	Operator CAD/AVL Integration	\$1.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
11	TR4 Integration and Open Payment Deployment	\$7.3	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.4
12	Customer Service Center / Payment Services	\$3.0	\$0.0	\$0.0	\$0.0	\$1.0	\$1.0	\$2.0
13	System Enhancements and Infrastructure Replacement	\$0.0	\$0.0	\$0.0	\$6.5	\$6.5	\$6.5	\$19.5
14	Total Expenses	\$73.3	\$97.9	\$14.9	\$14.2	\$14.9	\$14.1	\$155.9
Capital Revenue								
15	TCP - FTA*	\$47.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
16	TCP - OBAG2-STP/CMAQ*	\$34.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
17	TCP - OBAG2-RM2*	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
18	SGR / RM3 / OBAG3*	\$0.0	\$39.6	\$7.0	\$3.2	\$0.0	\$0.0	\$49.8
19	SGR	\$11.0	\$10.3	\$0.0	\$0.0	\$0.0	\$0.0	\$10.3
20	Fare Media and Card Fee Revenue	\$2.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$20.0
21	Capital Reserve	\$33.4	\$0.0	\$0.0	\$0.0	\$0.0	\$1.0	\$1.0
22	Total Annual Revenue	\$128.9	\$53.9	\$11.0	\$7.2	\$4.0	\$5.0	\$81.1
24	Cumulative Surplus/Deficit	\$55.6	\$11.6	\$7.8	\$0.8	(\$10.1)	(\$19.1)	

* Committed to System Integrator Contract