

## **Clipper® Executive Board**

**November 15, 2021**

**Agenda Item 3a**

### **Clipper® Two Year Budget and Work Plan Update**

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**Subject:**

Update on Clipper budget and work plan for Fiscal Years (FYs) 2021-22 and 2022-23.

**Background:**

Under the Memorandum of Understanding (MOU), the Executive Board reviews and adopts 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 and integrator 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.

At the April 2021 Clipper Executive Board (CEB) meeting, Clipper staff committed to return to the Board semi-annually with an update of the Clipper Budget.

Attachment A and B to this memo, respectively, show the Clipper Operating and Capital Two Year Budget updated in October 2021, as well as the Clipper Operating and Capital Two Year Budget approved and adopted by this Board in April 2021, as reference. The budget is intended to provide an understanding of the scope and size of major expense categories and confirm availability of funding. The budget is updated annually and includes both current Clipper system and next generation Clipper items.

**Highlights and Updates from Board-approved FY 2021-22 and 2022-23 Budget and Work Plan in April 2021**

Updates of the Clipper Two Year Budget item approved in April 2021 are highlighted below.

1. Operating Actuals for FY20-21 turned out to be less than previously estimated, largely as a result of lower-than-expected O/M costs related to the mobile application release date;
2. COVID-19 Economic Relief (CARES) funding was able to cover a portion of Clipper operating costs longer than originally estimated;

3. Growth in “inactive funds” potentially available to be used for operations increased the amount of funds that were previously “active” that then became “inactive” as overall use in the system declined, resulting in the ability to offset operating shortfalls in future fiscal years;
4. The Clipper program’s Capital budget now has better estimates for the capital portion of the Customer Service Center, Payment Services, and Fare Media supplier contracts, as well as updates in estimates of capital portions of the System Integrator contract and estimated installation of Next Generation equipment; and
5. In order to address uncertainty around Regional Measure 3, the Clipper program is also considering using OBAG3 funds to offset potential delays in receipt of funds and the ability to pay invoices in a timely manner. Any additional OBAG3 funds would negate or offset the need for RM3 funds for the Clipper program.

**Issues:**

None identified.

**Recommendations:**

Information.

**Attachments:**

- Attachment A: Clipper Operating and Capital Budget – October 25, 2021 (updated)
- Attachment B: Clipper Operating and Capital Budget – March 31, 2021 (reference)



Carol Kuester

CLIPPER® **DRAFT** OPERATING BUDGET - OCTOBER 25, 2021

Item No.	Descriptions	Actual FY 20/21 (\$M)	Current FY 21/22 (\$M)	FY 22/23 (\$M)	FY 23/24 (\$M)	FY 24/25 (\$M)	FY 25/26 (\$M)	Total FY 21/22 - FY 25/26
<b>MTC Operating Costs</b>								
1	Annual Current Clipper Operating Costs - MTC	\$9.8	\$10.8	\$6.0	\$2.0	\$0.3	\$0.0	\$28.9
2	Annual Next Gen Clipper SI Operating Costs - MTC	\$0.1	\$1.8	\$7.5	\$9.5	\$10.0	\$10.3	\$39.2
3	Annual Next Gen Clipper Other Operating Costs - MTC <sup>1</sup>	\$0.0	\$0.2	\$1.0	\$1.1	\$1.1	\$1.1	\$4.5
4	MTC Staff - Current Clipper Operating	\$0.6	\$0.7	\$0.4	\$0.1	\$0.0	\$0.0	\$1.8
5	MTC Staff - Next Gen Clipper Operating	\$0.2	\$0.7	\$1.1	\$1.4	\$1.6	\$1.7	\$5.0
6	Clipper® Operations - Misc.	\$0.3	\$0.3	\$0.3	\$0.3	\$0.4	\$0.4	\$2.0
7	In Person Customer Service Centers	\$1.0	\$1.1	\$1.2	\$1.2	\$1.3	\$1.3	\$7.1
8	Customer Education Program	\$1.6	\$1.7	\$1.8	\$1.9	\$2.0	\$2.1	\$11.0
9	<i>Subtotal MTC expenses</i>	<i>\$13.7</i>	<i>\$17.3</i>	<i>\$19.3</i>	<i>\$17.5</i>	<i>\$16.6</i>	<i>\$16.9</i>	<i>\$101.2</i>
<b>Transit Agency Operating Costs</b>								
10	Annual Current Clipper Operating Costs - Transit Agencies	\$6.9	\$10.7	\$12.0	\$4.0	\$0.5	\$0.0	\$34.1
11	Annual Next Gen Clipper SI Operating Costs - Transit Agencies	\$0.1	\$1.8	\$7.5	\$9.5	\$10.0	\$10.3	\$39.2
12	Annual Next Gen Clipper Other Operating Costs - Transit Agencies <sup>2</sup>	\$0.0	\$0.7	\$7.2	\$7.4	\$7.6	\$7.7	\$30.6
13	<i>Subtotal Transit Agency expenses</i>	<i>\$7.0</i>	<i>\$13.2</i>	<i>\$26.7</i>	<i>\$20.9</i>	<i>\$18.1</i>	<i>\$18.0</i>	<i>\$103.9</i>
14	<b>Total Operating Costs (MTC+Transit)</b>	<b>\$20.7</b>	<b>\$30.5</b>	<b>\$46.0</b>	<b>\$38.4</b>	<b>\$34.6</b>	<b>\$34.9</b>	<b>\$205.2</b>
<b>Operating Revenues</b>								
15	Total STA Revenues	\$0.2	\$6.3	\$7.5	\$7.7	\$7.8	\$8.0	\$37.5
16	Total RM2 Marketing Revenue	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$6.6
17	Additional RM2 Marketing Revenue <sup>3</sup>	\$1.5	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$10.0
18	Additional RM2 Operating Revenue <sup>3</sup>	\$1.6	\$1.7	\$2.0	\$2.0	\$2.0	\$2.0	\$11.3
19	CARES Act	\$8.9	\$4.7	\$0.0	\$0.0	\$0.0	\$0.0	\$13.6
20	Unregistered Inactive Funds	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
21	Float Account Interest	\$0.0	\$0.0	\$1.2	\$1.2	\$1.2	\$1.2	\$4.8
22	State of Good Repair (SB1) <sup>4</sup>	\$0.4	\$2.7	\$0.0	\$0.0	\$0.0	\$0.0	\$3.1
23	Total Transit Agency Revenue	\$7.0	\$13.2	\$26.7	\$20.9	\$18.1	\$18.0	\$103.9
25	<b>Total Operating Revenue</b>	<b>\$20.7</b>	<b>\$31.4</b>	<b>\$40.2</b>	<b>\$34.6</b>	<b>\$31.9</b>	<b>\$32.0</b>	<b>\$197.8</b>
24	Operations Reserve <sup>5</sup>	\$7.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
26	<b>Net Budget</b>	<b>\$7.0</b>	<b>\$7.9</b>	<b>\$2.1</b>	<b>(\$1.7)</b>	<b>(\$4.5)</b>	<b>(\$7.4)</b>	

<sup>1</sup> Includes O&M Estimate for CSC

<sup>2</sup> Includes O&M Estimate for CSC, Pass Through Fees (incl. Mobile Fees & Third Party Commissions), Payment Gateway Fees, RTC Program Fees, etc.

<sup>3</sup> Contingent upon availability and MTC Commission Approval

<sup>4</sup> Used for Next-Gen Clipper Operating Startup Costs

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

Assumes continuation of ~ 1/3 MTC, 2/3 Transit Agency split in C2 & Agencies can pay their share

Assumes 10% tax, no contingency

CLIPPER® **DRAFT** CAPITAL BUDGET - OCTOBER 25, 2021

Item No.	Description	Actual FY 20/21 (\$M)	Current FY 21/22 (\$M)	FY 22/23 (\$M)	FY 23/24 (\$M)	FY 24/25 (\$M)	FY 25/26 (\$M)	TOTAL FY 20/21 - 25/26 (\$M)
<b>Capital Costs (See Table 1a for Cost Detail)</b>								
1	C1 Clipper Cards & Fare Media	\$1.6	\$4.0	\$1.0	\$0.0	\$0.0	\$0.0	\$6.6
2	C2 Clipper Cards & Fare Media	\$0.0	\$3.0	\$3.0	\$3.0	\$2.0	\$1.0	\$12.0
	<b>Current Clipper® System (C1)</b>							
3	MTC Staff	\$1.1	\$0.9	\$0.5	\$0.0	\$0.0	\$0.0	\$2.5
4	Consultants	\$0.7	\$0.5	\$0.6	\$0.0	\$0.0	\$0.0	\$1.8
5	System Enhancements and Infrastructure Replacement*	\$0.1	\$0.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.8
	<b>Next Generation Clipper® System</b>							
6	MTC Staff	\$2.8	\$3.3	\$4.0	\$4.7	\$4.9	\$5.2	\$24.9
7	Consultants	\$3.1	\$2.5	\$2.0	\$2.1	\$2.2	\$2.3	\$14.2
8	System Integrator Contract	\$19.2	\$52.4	\$15.2	\$6.1	\$0.0	\$0.0	\$92.9
9	Next-Gen Clipper Equipment	\$0.0	\$8.9	\$47.3	\$0.0	\$0.0	\$0.0	\$56.2
10	Operator CAD/AVL Integration	\$0.0	\$1.3	\$0.0	\$0.0	\$0.0	\$0.0	\$1.3
11	TR4 Integration and Open Payment Deployment	\$1.4	\$7.3	\$1.6	\$0.0	\$0.0	\$0.0	\$10.3
12	Customer Service Center / Payment Services	\$0.0	\$3.0	\$0.0	\$0.0	\$0.0	\$0.0	\$3.0
13	<b>Total Expenses</b>	<b>\$30.0</b>	<b>\$87.8</b>	<b>\$75.2</b>	<b>\$15.9</b>	<b>\$9.1</b>	<b>\$8.5</b>	<b>\$226.6</b>
<b>Revenue</b>								
14	TCP - FTA*	\$14.1	\$47.7	\$0.0	\$0.0	\$0.0	\$0.0	\$61.8
15	TCP - OBAG2-STP/CMAQ*	\$34.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$34.9
16	TCP - OBAG2-RM2*	\$13.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$13.0
17	SGR / RM3 / OBAG3*	\$1.0	\$30.0	\$9.6	\$7.0	\$3.2	\$0.0	\$50.8
18	SGR	\$7.6	\$11.0	\$0.0	\$0.0	\$0.0	\$0.0	\$18.6
19	Fare Media and Card Fee Revenue	\$1.6	\$2.0	\$4.0	\$4.0	\$4.0	\$4.0	\$19.6
20	Capital Reserve	\$26.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$26.0
21	STA	\$0.0	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.2
21	<b>Total Annual Revenue</b>	<b>\$98.2</b>	<b>\$90.9</b>	<b>\$13.6</b>	<b>\$11.0</b>	<b>\$7.2</b>	<b>\$4.0</b>	<b>\$224.9</b>
22	<b>Cumulative Surplus/Deficit</b>	<b>\$68.2</b>	<b>\$71.3</b>	<b>\$9.7</b>	<b>\$4.8</b>	<b>\$2.9</b>	<b>(\$1.6)</b>	

\* Committed to System Integrator Contract

**CLIPPER® APPROVED OPERATING BUDGET - MARCH 31, 2021**

Item No.	Descriptions	Current FY 20/21 (\$M)	FY 21/22 (\$M)	FY 22/23 (\$M)	FY 23/24 (\$M)	FY 24/25 (\$M)	FY 25/26 (\$M)	Total FY 19/20- FY 24/25
<b>MTC Operating Costs</b>								
1	Annual Current Clipper Operating Costs - MTC	\$9.6	\$10.8	\$6.0	\$2.0	\$0.3	\$0.0	\$28.7
2	Annual Next Gen Clipper SI Operating Costs - MTC	\$0.7	\$1.8	\$7.5	\$9.5	\$10.0	\$10.3	\$29.5
3	Annual Next Gen Clipper Other Operating Costs - MTC <sup>1</sup>	\$0.0	\$0.2	\$1.0	\$1.1	\$1.1	\$1.1	\$3.4
4	MTC Staff - Current Clipper Operating	\$0.9	\$0.8	\$0.5	\$0.2	\$0.0	\$0.0	\$2.3
5	MTC Staff - Next Gen Clipper Operating	\$0.4	\$0.8	\$1.2	\$1.6	\$1.9	\$1.9	\$5.9
6	Clipper® Operations - Misc.	\$0.7	\$0.7	\$0.7	\$0.8	\$0.8	\$0.8	\$3.7
7	In Person Customer Service Centers	\$1.1	\$1.1	\$1.2	\$1.2	\$1.3	\$1.3	\$5.8
8	Customer Education Program	\$1.4	\$1.7	\$1.8	\$1.9	\$2.0	\$2.1	\$8.7
9	<i>Subtotal MTC expenses</i>	<i>\$14.8</i>	<i>\$17.9</i>	<i>\$19.9</i>	<i>\$18.2</i>	<i>\$17.2</i>	<i>\$17.6</i>	<i>\$88.0</i>
<b>Transit Agency Operating Costs</b>								
10	Annual Current Clipper Operating Costs - Transit Agencies	\$7.0	\$14.0	\$12.0	\$4.0	\$0.5	\$0.0	\$37.5
11	Annual Next Gen Clipper SI Operating Costs - Transit Agencies	\$0.7	\$1.8	\$7.5	\$9.5	\$10.0	\$10.3	\$29.5
12	Annual Next Gen Clipper Other Operating Costs - Transit Agencies <sup>2</sup>	\$0.0	\$0.7	\$7.2	\$7.4	\$7.6	\$7.7	\$22.8
13	<i>Subtotal Transit Agency expenses</i>	<i>\$7.7</i>	<i>\$16.5</i>	<i>\$26.7</i>	<i>\$20.9</i>	<i>\$18.1</i>	<i>\$18.0</i>	<i>\$89.8</i>
14	<b>Total Operating Costs (MTC+Transit)</b>	<b>\$22.5</b>	<b>\$34.4</b>	<b>\$46.6</b>	<b>\$39.0</b>	<b>\$35.3</b>	<b>\$35.7</b>	<b>\$177.8</b>
<b>Operating Revenues</b>								
15	Total STA Revenues	\$0.2	\$7.3	\$7.5	\$7.7	\$7.8	\$8.0	\$30.5
16	Total RM2 Marketing Revenue	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1	\$5.5
17	Additional RM2 Marketing Revenue <sup>3</sup>	\$1.5	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$8.3
18	Additional RM2 Operating Revenue <sup>3</sup>	\$1.4	\$1.4	\$2.0	\$2.0	\$2.0	\$2.0	\$8.8
19	CARES Act	\$11.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$11.5
20	Unregistered Inactive Funds	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
21	Float Account Interest	\$0.0	\$0.8	\$1.2	\$1.2	\$1.2	\$1.2	\$4.4
22	State of Good Repair (SB1) <sup>4</sup>	\$1.1	\$2.8	\$0.0	\$0.0	\$0.0	\$0.0	\$3.9
23	Total Transit Agency Revenue	\$7.7	\$16.5	\$26.7	\$20.9	\$18.1	\$18.0	\$89.8
24	Operations Reserve <sup>5</sup>	\$4.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
25	<b>Total Operating Revenue</b>	<b>\$28.6</b>	<b>\$31.6</b>	<b>\$40.2</b>	<b>\$34.6</b>	<b>\$31.9</b>	<b>\$32.0</b>	<b>\$166.8</b>
26	<b>Net Budget</b>	<b>\$6.1</b>	<b>\$3.3</b>	<b>(\$3.0)</b>	<b>(\$7.5)</b>	<b>(\$11.0)</b>	<b>(\$14.6)</b>	

<sup>1</sup> Includes O&M Estimate for CSC

<sup>2</sup> Includes O&M Estimate for CSC, Pass Through Fees (incl. Mobile Fees & Third Party Commissions), Payment Gateway Fees, RTC Program Fees, etc.

<sup>3</sup> Contingent upon availability and MTC Commission Approval

<sup>4</sup> Used for Next-Gen Clipper Operating Startup Costs

<sup>5</sup> Operations Carry Forward From Prior Year = \$4.1M (\$2.5 STA Reserve, \$1.1M Float, \$0.5M Inactive Funds)

Assumes continuation of ~ 1/3 MTC, 2/3 Transit Agency split in C2 & Agencies can pay their share

Assumes 10% tax, no contingency

CLIPPER® **APPROVED** CAPITAL BUDGET - MARCH 31, 2021

Item No.	Description	Current FY 20/21 (\$M)	FY 21/22 (\$M)	FY 22/23 (\$M)	FY 23/24 (\$M)	FY 24/25 (\$M)	FY 25/26 (\$M)	TOTAL FY 20/21 - 25/26 (\$M)
<b>Capital Costs (See Table 1a for Cost Detail)</b>								
1	C1 Clipper Cards & Fare Media	\$1.5	\$2.0	\$1.0	\$0.0	\$0.0	\$0.0	\$4.5
2	C2 Clipper Cards & Fare Media	\$0.0	\$1.0	\$3.0	\$3.0	\$2.0	\$1.0	\$10.0
	<b>Current Clipper® System (C1)</b>							
3	MTC Staff	\$1.2	\$0.9	\$0.5	\$0.0	\$0.0	\$0.0	\$2.6
4	Consultants	\$1.0	\$0.5	\$0.6	\$0.0	\$0.0	\$0.0	\$2.1
5	System Enhancements and Infrastructure Replacement*	\$0.7	\$0.7	\$0.0	\$0.0	\$0.0	\$0.0	\$1.4
	<b>Next Generation Clipper® System</b>							
6	MTC Staff	\$3.0	\$3.3	\$4.0	\$4.7	\$4.9	\$5.2	\$25.1
7	Consultants	\$4.7	\$2.5	\$2.0	\$2.1	\$2.2	\$2.3	\$15.8
8	System Integrator Contract	\$44.4	\$32.7	\$11.7	\$6.5	\$0.0	\$0.0	\$95.3
9	Next-Gen Clipper Equipment	\$0.0	\$33.9	\$21.8	\$2.3	\$0.0	\$0.0	\$58.0
10	Operator CAD/AVL Integration	\$3.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$3.3
11	TR4 Integration and Open Payment Deployment	\$4.2	\$6.2	\$1.0	\$0.0	\$0.0	\$0.0	\$11.4
12	Customer Service Center / Payment Services	\$0.3	\$2.0	\$2.7	\$0.0	\$0.0	\$0.0	\$5.0
13	<b>Total Expenses</b>	<b>\$64.3</b>	<b>\$85.7</b>	<b>\$48.3</b>	<b>\$18.6</b>	<b>\$9.1</b>	<b>\$8.5</b>	<b>\$234.6</b>
<b>Revenue</b>								
14	TCP - FTA*	\$14.1	\$20.3	\$16.9	\$5.8	\$0.0	\$0.0	\$57.1
15	TCP - OBAG2-STP/CMAQ*	\$34.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$34.9
16	TCP - OBAG2-RM2*	\$13.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$13.0
17	SGR / RM3*	\$1.0	\$50.0	\$9.6	\$7.0	\$3.2	\$0.0	\$70.8
18	SGR	\$7.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$7.6
19	Fare Media and Card Fee Revenue	\$1.6	\$2.0	\$4.0	\$4.0	\$4.0	\$4.0	\$19.6
20	Capital Reserve	\$26.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$26.0
21	STA	\$0.0	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.2
21	<b>Total Annual Revenue</b>	<b>\$98.2</b>	<b>\$72.5</b>	<b>\$30.5</b>	<b>\$16.8</b>	<b>\$7.2</b>	<b>\$4.0</b>	<b>\$229.2</b>
22	<b>Cumulative Surplus/Deficit</b>	<b>\$33.9</b>	<b>\$20.7</b>	<b>\$2.9</b>	<b>\$1.1</b>	<b>(\$0.8)</b>	<b>(\$5.4)</b>	

\* Committed to System Integrator Contract