

Clipper® Executive Board

June 2, 2025

Agenda Item 3a

Clipper® Two Year Budget and Work Plan

Subject:

The Clipper budget and work plan for Fiscal Years (FYs) 2025-26 and 2026-27 for the Clipper Executive Board's review and approval.

Background:

Under the Memorandum of Understanding, the Clipper 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 2025-26 and 2026-27 bordered in red, along with estimated projections of both the Operating and Capital Budget five years from the current FY to FY 2028-29. 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 25-26 (July 2025 to June 2026) with a cessation of C1 operations in June 2026, and the termination of the C1 contract thereafter;
2. Estimates of C1 Operating costs based on the payments terms and conditions of Change Order 218, Amendment 1, C1 O&M Extension, approved by the Clipper Executive Board in September 2024, and executed in November 2024;
3. Assumptions of account-based milestones based on recent Cubic project schedule submissions and estimates, including the assumption of full account-based Operations and Maintenance costs during the entire Fiscal Year (July 2025 to June 2026);

4. Estimates of operating expenses for the CSC, Fare Media, and Payment Services contracts allocated per the MOU; and
5. MTC's inclusion of \$7.3M in Float Account Interest accrued from MTC's investment of Float Account funds to fund transit operator's portion of the FY25-26 C1 Operating costs, in order to help offset the costs of running two parallel fare collection systems. This is a continuation of MTC's proposal beginning in January 2025 to help cover the operator portion of C1 operations.

At the April 2025 Clipper Executive Board meeting, Board members inquired about the Operating deficit beyond the two years being requested for approval. MTC's operating budgets are approved annually, so even though we show five years of projected costs, we don't typically commit to specific funding beyond the two years being approved by the Clipper Executive Board. MTC will continue to work to identify potential fund sources to help bridge the gap and managing the program with the knowledge that this deficit exists and identifying the need for funding in the future to mitigate it. In the budget presented to the Board, we have updated some fund sources in the future years to indicate potential sources of funding that have not yet been committed, although they are likely to be available to the program. Knowing that this upcoming deficit exists, Clipper staff will also work over the next several budget cycles to identify potential areas for cost savings in the near term.

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.

At the April 2025 Board meeting, Board members requested information on staffing costs. The Clipper program has operated consistently for years with a staffing level of around 15 full time equivalents (FTE) in order to support ongoing Clipper contract management and oversight, program administration, maintenance of regional programs delivered through the Clipper platform, and customer outreach and communications. In the last two years, Clipper staff have identified the need and funding for three additional positions in order to address Clipper's growing portfolio of services and programs, including Clipper START, Clipper Access (RTC), Clipper BayPass, asset management, hardware and software deployment, retail network oversight focusing on Equity Priority Communities, and direct transit operator support, including support for this Board.

Overall, MTC has been able to fully fund the capital and development and deployment work while continuing to ensure that the Clipper system has remained active and operational, and unexpected cost overruns have been limited. The program outlook is stable over the next several fiscal years.

MTC will continue to keep transit agency staff updated on the operating and capital budgets and plan to return to the Clipper Executive Board before the end of the calendar year with an update on the Clipper budget and on how expected costs align with actual costs.

Issues:

None identified.

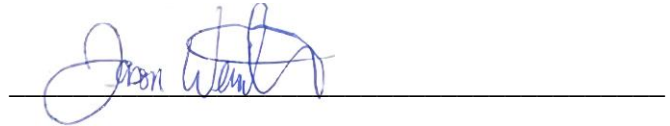
Recommendations:

Clipper staff recommend that the Clipper Executive Board approve the Clipper Two Year Operating and Capital Budgets for FY 2025-26 and FY 2026-27.

Attachments:

- Attachment A: Clipper Operating Budget – May 13, 2025

- Attachment B: Clipper Capital Budget – May 23, 2025



Jason Weinstein

[https://bayareametro.sharepoint.com/sites/committees/CommitteeDocs/Clipper Executive Board/CEB2025/CEB_2025_06_02/4a_Clipper Two Year Budget_v1.docx](https://bayareametro.sharepoint.com/sites/committees/CommitteeDocs/Clipper%20Executive%20Board/CEB2025/CEB_2025_06_02/4a_Clipper%20Two%20Year%20Budget_v1.docx)