

Clipper® Executive Board

October 20, 2025

Agenda Item 3c

Clipper® Two Year Budget

Subject:

The amended Clipper budget 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. The Clipper Executive Board approved the Clipper Budget for Fiscal Years (FYs) 2025-26 and 2026-27 at its June 2025 meeting.

Amended FY2025-26 Clipper Budget

Attached for your approval are the amended 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.

When the Clipper budget was approved earlier this year, it included certain assumptions that need to now be revised. The following **amended assumptions** to the Clipper Two Year Budget have the largest financial impact to the Clipper program budget:

- Start of Customer Transition being delayed from July to November 2025;
- Current higher C1 operating costs extended from July to December 2025, with two phases of ramp-down costs starting January 2026 and April 2026, respectively, per the terms and conditions of the C1 O&M Extension agreement;

- An increase in assumed baseline number of calls to the C2 CSC based on either a Start of Transition or Expanded Open Payment Acceptance in November 2025; and
- An increase in Fiserv and American Express costs due to observed increases in estimated purchase transactions and at a lower average rate than estimated, as well as expected increases in open payment transactions.

The **financial impacts** of these updated assumptions to the Clipper Two Year Budget include:

- A net increase of ~\$8.6M in C1 operating costs, with MTC's estimated portion at \$2.8M and transit operators portion at \$5.8M;
- A net increase of ~\$6.0M in C2 operating cost, which includes:
 - A net decrease of \$3.0M in System Integrator costs, split evenly by MTC and transit operators;
 - A \$4.8M increase in CSC costs, split evenly by MTC and transit operators;
 - A \$3.65M increase in payment services costs invoiced to the transit operators; and
 - A \$500K increase in third party commissions (i.e. retail, transit benefit providers) invoiced to the transit operators based on actual increased commissions thus far in FY2025.

The Clipper amended budget also includes:

- Inclusion of an additional \$1M in Float Account Interest to cover fare revenue losses; and
- Other minor adjustments including fund source swapping, revised estimates to AT&T C1 circuit support, and consultant support.

Funding Proposal

Given the expected increase in C1 O&M this fiscal year and the overall funding challenges faced by Bay Area transit agencies, MTC and Clipper staff are proposing to fund up to \$5.8M in transit operator expenses, equivalent to the amount of the C1 O&M increase.

Staff propose using FY25-26 State of Good Repair funds to startup operational costs for the account-based system in the amount of \$5.8M. We are working with transit operator staff on how to procedurally apply these funds to offset \$5.8M of transit operator expenses this fiscal year and will continue to work to identify potential fund sources to help bridge the gap and

manage the program with the knowledge that this deficit exists and identify 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.

Overall, MTC has been able to fully fund capital development and deployment work while continuing to ensure that the Clipper system has remained active and operational. 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 beginning of the next fiscal year with the Clipper Two Year Budget for FY2026-27 and 2027-28 for the Board's review and approval.

Issues:

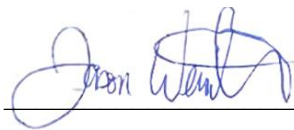
None identified.

Recommendations:

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

Attachments:

- Attachment A: Clipper Operating Budget – October 7, 2025
- Attachment B: Clipper Capital Budget – October 7, 2025



Jason Weinstein