

# Clipper® Executive Board

March 30, 2026

Agenda Item 3c

## Clipper® Budget Overview and Key Drivers

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### **Subject:**

An overview of the Clipper budget and key drivers for FY 2026-27 for discussion with the Clipper Executive Board.

### **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. This month we will be discussing the key budget drivers for the Fiscal Year 2026-27 budget.

Looking at FY 2026-27, we have the following assumptions:

- A recognition of the need to plan for the C1 O&M costs during the next fiscal year;
- MTC assumption of transit operator share of C1 O&M costs during the next fiscal year;
- Clipper Executive Board Approval to authorize the use of Inactive Card Funds and Clipper Float Account Interest for other overall Clipper expenses.

At a high level, an initial assessment of the Clipper FY 2026-27 budget expects:

- A steady Clipper Capital program with continuous Cubic updates and enhancements to reach System Completion, in addition to planning for known needed improvements to various account-based portals, FIMPS and CST equipment, and potential system enhancements;
- A need to seek Clipper Executive Board authorization to use \$3M of Inactive Card Funds (funds associated with unregistered Clipper cards that haven't been used in 3+ years) and \$3M of Clipper Float Account Interest towards the Clipper capital budget;

- The ability to reallocate RM3 funds (currently encumbered to Cubic for both future (2035) capital milestones and contingency) to also fund current capital needs; and
- A growing Operating budget, with major cost drivers and components in the table below and in the attached slides:

|                                | <b>FY 26-27<br/>Budget Estimate<br/>(Approved 5/25)</b> | <b>FY 26-27 Initial<br/>Budget<br/>(Proposed 3/26)</b> | <b>Notes</b>   |
|--------------------------------|---|--|--|
| <b>C1 O&amp;M</b>              | \$0   | \$3.4M   | <del>MTC \$1.6M, Operators \$1.8M</del><br><b>(MTC \$3.1M, Operators \$0.3M)</b> |
| <b>C2 SI Cubic</b>             | \$19.8M   | \$18.6M  | MTC \$9.3M, Operators \$9.3M   |
| <b>C2 CSC WSP</b>              | \$4.4M  | \$12.0M  | <del>MTC \$6M, Operators \$6M</del><br><b>(MTC \$7.2M, Operators \$4.8M)</b>     |
| <b>C2 Payment<br/>Services</b> | \$3.7M  | \$14.4M  | Operators \$14.4M  |

In the table above, the bold text in the notes column indicates that we are exploring opportunities to help offset operator costs from C2 transition delays beyond the cost-sharing agreement in the MOU, and that we are proposing that MTC cover the majority of C1 O&M costs and the portion of CSC costs stemming from extra calls and customer service requests due to the delay in Customer Transition.

Clipper staff will review the attached slides with the Clipper Executive Board, including the main cost drivers, initial budget assumptions, changes in customer behavior and customer needs, rising costs for processing credit/debit card transactions, and other primary drivers of costs to operate and maintain the Clipper program.

MTC and transit operator staff have been meeting regularly since February to discuss the Clipper budget and will continue to work together to update the operating and capital budgets. In April we will bring the Clipper budget for Fiscal Years (FYs) 2026-27 and 2027-28 for the Clipper Executive Board’s review and discussion with the intention of getting the Board’s approval at the May 2026 Clipper Executive Board meeting. 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:**

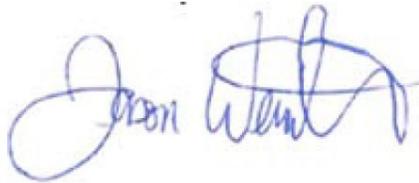
Delays in transition to the Next-Generation System as well as Customer Service Center and Payment Service trends are contributing to significant increases in operating costs for FY2026-27.

**Recommendations:**

Information

**Attachments:**

- Attachment A: Clipper Budget presentation



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