

# Clipper® Executive Board

May 22, 2023

Agenda Item 3b

## Clipper® Two Year Budget and Work Plan

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### **Subject:**

The Clipper budget and work plan for Fiscal Years (FYs) 2023-24 and 2024-25 for the Executive Board's review and Approval.

### **Background:**

Under the Clipper 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 Approval are the Clipper Operating Budget (Attachment A) and the Clipper Capital Budget (Attachment B) with FYs 2023-24 and 2024-25 bordered in red, along with estimated five-year projections of both the Operating and Capital Budget to FY 2027-28.

In addition to a continuation of the capital work required to design, test, and ultimately rollout the account-based Clipper system, staff discussed details of the Draft Clipper Two Year Operating and Capital Budget at the Board's April 2023 meeting. While no major substantive changes and updates were made, Board member comments and concerns during the April meeting are addressed in the highlights below, including:

1. Full parallel operations of the C1 card-based system and the C2 account-based system as the Contractor is expected to achieve the Revenue Ready contractual milestone in FY23-24 (Items 3, 4, 12, and 13 of Attachment A);
2. Estimated monthly and annual Operations and Maintenance expenses by transit operator, at the request of the Board at April's 2023 meeting, for both the card-based system, and the account-based system in FY 2023-24 (Attachment C);

3. The inclusion of around \$200,000 at transit agency staff request in this year's Operating budget to fund lost or foregone fare revenue as a result of operational errors under the C1 contract (Item 8 of Attachment A);
4. An increase in expected expenses for Customer Education, Outreach, and Marketing contracts to support preparation for the public launch of Clipper 2.0 at the end of FY23-24 (Item 10 of Attachment A);
5. The inclusion of around \$7M in inactive unregistered funds and around \$6.1M in Low Carbon Transit Operation Program (LCTOP) funding from the State's Cap and Trade program in to cover program expenses (Item 25 and 28 of Attachment A). Clipper staff met with Caltrans to discuss using LCTOP funds to fund Clipper Operations as the program transitions from a card-based to an account-based system, noting that Clipper is the primary platform to delivering many benefits and discounts to transit riders, including Clipper START, reduced and no-cost inter-operator transfers, fare-capping and accumulators, and other public-facing benefits;
6. A confirmation that the \$2.2M set aside for Operator Paratransit Integration includes both funding for integration with Trapeze systems, as well as an estimate of costs to integrate the paratransit system used by East Bay Paratransit with the account-based Clipper system (Item 7 of Attachment B) as well as estimates for RTC and Clipper START integration and enhancements (Item 10 of Attachment B); and
7. The full inclusion of Regional Measure 3 (RM3) funds, which has no impact on the Clipper budget, as Clipper staff had already worked with MTC's funding group to secure outside funds. The Clipper program signed a letter of no prejudice to use RM3 funds to replenish the secondary source of funds (OBAG3) needed by the program when the outcome of RM3 legislation was unclear (Items 13 and 14 of Attachment B).

Overall, largely with the federal Coronavirus Aid, Relief, and Economic Security Act funds, the Clipper program was able to stay operational and funded over the duration of the Coronavirus emergency, and because of funding secured by the Clipper team through the State (STA, Senate Bill 1 State of Good Repair, and LCTOP), the program appears stable over the next several fiscal years.

MTC and transit operator staff will continue to work together to update the Operating and Capital budgets and 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:**

MTC and transit operator staff recommend that the Clipper Executive Board approve the Clipper Two Year Operating and Capital Budgets for FY 2023-24 and FY 2024-25.

**Attachments:**

- Attachment A: Clipper Operating Budget – May 5, 2023
- Attachment B: Clipper Capital Budget – May 5, 2023
- Attachment C: Estimated FY23-24 O&M by Transit Operator



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