

# Clipper® Executive Board

April 10, 2023

Agenda Item 4c

## Draft 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 discussion.

### **Background:**

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

Details of the Clipper Two Year Operating and Capital Budget are highlighted in the Attachments, and include:

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. 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);
3. 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);

4. The inclusion of around \$7M in inactive unregistered funds to cover program expenses, as discussed with the Clipper Executive Board at its March 2023 Board meeting (Item 25 of Attachment A);
5. The inclusion of \$6M in Low Carbon Transit Operation Program (LCTOP) funding from the State's Cap and Trade program (Item 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 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; 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 plan to return to the Clipper Executive Board next month to obtain approval for the Clipper Two Year Budget and Work Plan. 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:**

None identified.

**Recommendations:**

Information

**Attachments:**

- Attachment A: Clipper Draft Operating Budget – April 10, 2023
- Attachment B: Clipper Draft Capital Budget – April 10, 2023



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Carol Kuester