

Clipper® Executive Board

March 25, 2024

Agenda Item 3c

Draft Clipper® Two Year Budget and Work Plan

Subject:

The Clipper budget and work plan for Fiscal Years (FYs) 2024-25 and 2025-26 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 2024-25 and 2025-26 bordered in red, along with estimated projections of both the Operating and Capital Budget five years from the current FY to FY 2028-29.

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 24-25 (July 2024 to June 2025) with a cessation of C1 operations in June 2025, and the termination of the C1 contract thereafter;
2. Assumptions of major account-based milestones based on recent Cubic project schedule submissions, including the beginning of the full account-based Pilot in July 2024, Customer Transition in late summer 2024, and System Completion in May 2025;
3. The inclusion of \$6.5M in Low Carbon Transit Operation Program (LCTOP) funding from the State's Cap and Trade program to support the account-based system as the primary platform to delivering 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;

4. The inclusion of \$2.4M in Senate Bill 1 State of Good Repair funds to support start-up operational costs; and
5. The inclusion of \$2.7M in Inactive Card Funds as an unrestricted program fund source to ensure that expected operating costs can be accounted for. Clipper staff expect to request approval for the use of these funds as an operating fund source at the Board's April 2024 meeting.

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.

Overall, Clipper staff, in coordination with MTC's Funding, Program, and Policy section, have managed both the Clipper Operating and Capital budget well, as the capital and development work continued and the Clipper system remained active and in use over the duration of the pandemic, and unexpected cost overruns have been limited. 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:

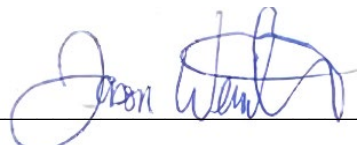
None identified.

Recommendations:

Information

Attachments:

- Attachment A: Clipper Draft Operating Budget – March 13, 2024
- Attachment B: Clipper Draft Capital Budget – March 5, 2024



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