

Clipper® Executive Board

November 18, 2024

Agenda Item 3b

Clipper® Two Year Operating and Capital Budget - Semi-Annual Update

Subject:

An update on the Approved Clipper budget and work plan for Fiscal Years (FYs) 2024-25 and 2025-26 for the Executive Board.

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.

At the May 2024 Clipper Executive Board (CEB) meeting, the Board approved the Clipper Two Year Operating and Capital Budget. At that meeting, Clipper staff committed to return to the Board semi-annually with an update on the Clipper Budget.

Attachments A and B to this memo, respectively, show the Clipper Operating and Capital Two Year Budget updated for the Board's November 2024 meeting, as well as the Clipper Operating and Capital Two Year Budget approved and adopted by this Board in May 2024, as reference. The budget is intended to provide an understanding of the scope and size of major expense categories and confirm availability of funding. The budget is updated annually and includes both current Clipper system and next generation Clipper items. The budget includes the following assumptions:

- Full parallel operations of the C1 card-based system and the C2 account-based system during the entire Fiscal Year 24-25 (July 2024 to June 2025) with a cessation of C1 operations no later than June 2026, and the termination of the C1 contract, thereafter, based on the assumptions of the C1 O&M contract extension approved by the Clipper Executive Board at its September 2024 Board meeting;

- Major C2 account-based milestones based on Cubic's October 2024 project schedule submissions, including the beginning of the full account-based Pilot in January 2025 and Customer Transition in April 2025.
- Estimates of operating expenses for the CSC, Fare Media, and Payment Services contracts beginning January 2025, and capital expenses associated with the CSC, Fare Media, and Payment Services contracts, as well as estimates of technical consultant support;
- Clipper staff have historically budgeted conservatively in order to avoid last-minute requests for additional operating funds at the end of each fiscal year in order to ensure that expenses and invoices can be covered over the entire fiscal year.

Updates from the May 2024 approved FY 2024-25 and 2025-26 Operating and Capital Budget

Current updates of the Clipper Two Year Operating and Capital Budgets that were approved in May 2024 are highlighted in red in Attachment A (updated October 2024) and described below.

1. FY23-24 O&M expenses are now actual, and FY24-25 O&M expenses have been updated based on current YTD invoices;
2. The FY24-25 Clipper Operating budget assumes an additional allocation of \$10.25M of interest generated from MTC's investment of the Clipper Float to cover all estimated C1 O&M transit operator costs from January 2025 to June 2025;
3. 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 most recent schedule submittal;
4. Inclusion of several change orders and equipment amounts based on updates to equipment requests and execution of change orders in FY23-24;
5. An assumption that the System Completion milestone will be achieved in the 2025-26 fiscal year; and
6. General estimates of capital expenses, change orders, amendments, and other currently unknown costs after the System Completion milestone has been achieved.

MTC staff plans to return in approximately six months to review the Clipper Two-Year Operating and Capital Budget for FY25-26 and FY26-27, with subsequent approval action by the Clipper Executive Board.

Issues:

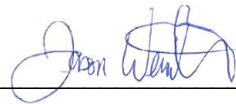
None identified.

Recommendations:

Information.

Attachments:

- Attachment A: Clipper Operating and Capital Budget – Updated October 29, 2024
- Attachment B: Clipper Operating and Capital Budget – Approved May 2024 (reference)



Jason Weinstein