

Metropolitan Transportation Commission
Operations Committee

April 14, 2023

Agenda Item 4e

Clipper® Bank Account Cash Management: Transfer of \$4,000,000 from Clipper Float Account to MTC to Fund Clipper Program Operating Costs

Subject:

Request Committee approval of a transfer of \$4,000,000, equivalent to a portion of all Inactive Funds on unregistered inactive Clipper cards, from the Clipper Float Account for anticipated inclusion into the Fiscal Year (FY) 2023-24 Clipper Operating Budget.

Background:

The Clipper Cardholder Agreement defines “Inactive Funds” as funds on a card, whether registered or unregistered, which have not been used for at least the past three years. Inactive Funds, like all money paid by customers to load cash value onto their Clipper cards, are held in the Clipper Float Account until that cash value is used to ride transit.

Following approvals by this Committee or the full Commission, three distributions from the Clipper Float Account of money representing Inactive Funds on unregistered cards—totaling nearly \$7.1 million—occurred between 2018 and 2020. (Each time 10% was held back as a reserve to cover any renewed card activity; history has shown 10% to be a more than adequate reserve percentage.) A portion—approximately \$3.5 million—of these prior distributions have been applied to past Clipper operating expenses; Clipper staff anticipate that the remaining available funds will be needed to apply toward upcoming Clipper operating expenses in FY 2023-24.

These distributions have not impacted cardholders’ use of their Clipper cards; the full unused balance on a cardholder’s card remains available regardless of how long the card goes unused. Staff desire to resume distributions from the Clipper Float Account of money representing Inactive Funds, in anticipation of the Clipper program’s significant operating budgetary needs in FY 2023-24 and subsequent fiscal years. Attachment A shows detailed annual calculations of what cardholder funds have become “Inactive”, what has been the amounts of renewed card activity, and the replenishments of the 10% reserve. The total of more than \$14,645,879 represents the amount of money on unregistered Clipper cards that became Inactive in calendar

years 2020, 2021, or 2022, net of the cumulative renewed card activity on any unregistered Clipper card that had been previously Inactive, and setting aside a fully-funded reserve of 10% of the total potential future activity on any Inactive Clipper cards. Staff anticipates including between \$3.5 million and \$4 million of that \$14.6 million in the proposed 2023-24 Clipper Operating Budget request to be presented to this Committee within the next few months. The specific staff request today is for Committee authorization to transfer only \$4 million of the identified \$14.6 million in Inactive Funds—enough to cover the anticipated need for such funds in the FY 2023-24 Clipper Operating Budget.

The Clipper Executive Board approved the proposed transfer at its March 27, 2023 meeting.

Issues:

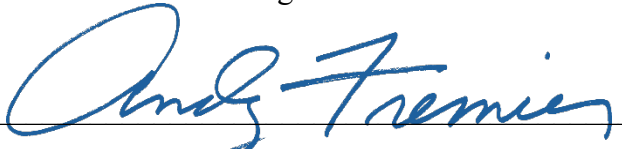
None identified.

Recommendation:

Staff recommends the Operations Committee authorize the Executive Director or designee to transfer \$4,000,000, identified as Inactive Funds, from the Clipper Float Account to MTC to offset FY 2023-24 Clipper program operating costs.

Attachments:

- Request for Committee Approval—Summary of Proposed Action
- Attachment A: Calculations of Clipper Inactive Funds Through Calendar Year 2022



Andrew B. Fremier

Request for Committee Approval

Summary of Proposed Action

Work Item No.: 320-1221

Work Project Title: Clipper Bank Account Cash Management

Purpose of Action: Transfer \$4,000,000 identified as Inactive Funds from the Clipper Float Account to MTC to offset Clipper Program operating costs

Brief Scope of Work: MTC to transfer \$4,000,000 from the Clipper Float Account to MTC budget to fund Clipper Program operating costs

Project Cost Not to Exceed: N/A

Funding Source: N/A

Fiscal Impact: Transfers \$4,000,000 for inclusion in the FY 23/24 MTC agency budget for Clipper Program operating costs

Motion by Committee: That the Executive Director or designee is authorized to transfer \$4,000,000 identified as Inactive Funds from the Clipper Float Account to MTC to offset Clipper Program operating costs, as described in the Operations Committee Summary Sheet dated April 14, 2023.

Operations Committee:

David Rabbitt, Chair

Approved: April 14, 2023