



Agenda Item 3a

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TO: Clipper® Executive Board

DATE: February 21, 2017

FR: Carol Kuester

RE: Funds Disbursement to the Clipper® Budget

Background

At the January 27, 2017 Executive Board meeting, staff reported that the Clipper® Program Float Bank Account held \$53 million, of which approximately \$6 million represents funds linked to cards that have not been used within the last three years, which MTC is calling "Inactive Funds". The \$6 million in Inactive Funds is roughly split between registered and unregistered cards. MTC staff stated that Inactive Funds on unregistered cards could be disbursed based on the distribution plan described in the staff materials and that additional research was required regarding use of other Inactive Funds.

At the January 27, 2017 meeting, staff also reported that the Two Year Budget and Work Plan showed about a \$3 million deficit in the Operating Budget. The Executive Board discussed the idea of using the \$3.3 million in Inactive Funds tied to unregistered cards to address the Operating Budget deficit, and requested that the item return to the Executive Board in February 2017 for approval.

Near Term

Before any distribution of funds from the Float Account can occur, Cubic must make technical and accounting changes to the Clipper® back-end systems. This work is underway now and scheduled to be completed by Summer 2017. The estimated cost of system and process changes is \$50,000.

Longer Term Proposal

Clipper® staff will seek approval to change the Clipper® cardholder agreement and Operating Rules to allow for the distribution of other Inactive Funds to transit operators and will continue to monitor other funds that are highly likely to remain unspent. Per MTC Resolution 3983, Revised, the Clipper® Executive Board has been delegated authority over changes to the Operating Rules.

Recommendation

Staff recommends the disbursement of approximately \$3 million of the \$3.3 million in unregistered card Inactive Funds to the overall Clipper® budget to address the near-term Operating Budget deficit, retaining a 10% reserve to mitigate risk that cards may return to the system.



Carol Kuester