



METROPOLITAN  
TRANSPORTATION  
COMMISSION

**Agenda Item 3a**  
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## *Memorandum*

TO: Operations Committee

DATE: April 6, 2018

FR: Executive Director

W. I. 1221

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

### **Background**

In its role as the Clipper® contracting entity, MTC currently maintains the Clipper® Program bank accounts. On November 30, 2017, the Clipper® Program Float Bank Account (Float account) held \$63,200,000 in stored transit value on just over 1.8 million patron cards. When patrons load cash value onto Clipper® cards, the Float account holds those funds until used to ride on a transit operator. Of that amount, \$4,400,000 represents the balance of value on cards that are both unregistered and which have not been used within the last three years. These unused card balances are referred to as “Inactive Funds.”

Unregistered Clipper® cards are anonymously purchased from a variety of sources (retail outlets, transit agency ticket offices and ticket vending machines). When an unregistered card is used, the amount of the fare is deducted from the card balance that is maintained on the card. Since an unregistered card is not connected to a customer account, the balance maintained on the card is no longer available to the customer if the card is lost or stolen.

A registered Clipper® card is connected to an account established by the customer, who provides the program with identifying information. Consequently, registered cardholders may seek restoration of card products and cash balances, if a card is lost or stolen.

The current Clipper® cardholder agreement specifies that Clipper® cards do not expire, so a registered or unregistered card that has been inactive for over three years can be used again at any time.

### **Approval Item**


On February 26, 2018, the Clipper® Executive Board approved an MTC staff proposal to distribute up to \$4,000,000 in Inactive Funds to the overall Clipper® budget to address the near-term operating budget deficit.

In some cases, cardholders may reactivate cards containing Inactive Funds that have been distributed. To ensure they can do so, the Clipper® Executive Board approved a reserve amount of 10% from each distribution to remain in the Float account. The reserve will be retained by MTC to fund transit payment for all cards, including Inactive Funds, in accordance with the Clipper® cardholder agreement. Net of this retainage, the funds currently available for distribution total \$4,000,000.

In the longer term, staff will seek approval to update the Clipper® cardholder agreement and Operating Rules to allow for annual distribution of additional funds to operators that are likely to remain unspent.

**Recommendation**

Staff recommends that the Operations Committee authorize the Executive Director or his designee to distribute the \$4,000,000 identified as Inactive Funds from the Clipper® Float Account to MTC to offset Clipper® Program operating costs.



Steve Heminger

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## 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 in operating funds to the MTC agency budget for Clipper® Program operating costs
Motion by Committee:	That the Executive Director or his designee is authorized to distribute the \$4,000,000 identified as Inactive Funds from the Clipper® Float Account to MTC to offset Clipper® Program operating costs.
Operations Committee:	<hr/> Dave Cortese, Chair
Approved:	Date: April 13, 2018