



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 2d
Bay Area Metro Center
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Memorandum

TO: Operations Committee

DATE: February 1, 2019

FR: Executive Director

W. I. 1221

RE: Clipper® Bank Account Cash Management: Transfer of \$1,460,000 from Clipper Float Account to MTC to Fund Clipper Program Operating Costs

Background

In its role as the Clipper contracting entity pursuant to the Clipper Program Memorandum of Understanding (MOU) among MTC and the participating Clipper transit agencies, MTC maintains the Clipper Program bank accounts. As of November 30, 2018, the Clipper Program Float Bank Account (Float Account) held nearly \$75 million in stored transit value on nearly 2.8 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, sometimes for many years. The Clipper Cardholder License Agreement defines “Inactive Funds” as the cash value balances on Clipper cards not used in the last three years or longer.


In April 2018, this Committee authorized the distribution by MTC’s Chief Financial Officer of \$4 million from the Float Account to MTC to offset Clipper Program operating costs, following an identical authorization by the Clipper Executive Board, the Clipper Program policy-making body established by the MOU. That amount represented 90% of Inactive Funds on unregistered Clipper cards whose last use was prior to December 2014. A 10% reserve, totaling \$400,000, was held in the Float Account to honor any “inactive” unregistered cards that reappeared in the future.

Since the \$4 million distribution, less than one-third of the 10% reserve has been accessed to cover renewed use of cards carrying Inactive Funds by cardholders. Another \$1.8 million in Inactive Funds has accrued on unregistered cards whose last activity was between December 2014 and November 2015. On December 17, 2018 the Clipper Executive Board approved an MTC staff proposal to distribute up to \$1.5 million in Inactive Funds to the FY 18/19 Clipper Operating Budget to help address near-term operating budget shortfalls, withholding \$300,000 to replenish the Inactive Fund reserve to maintain a 10% balance.

Recommendation

Staff recommends that the Operations Committee authorize the Executive Director or designee to distribute \$1.5 million, identified as Inactive Funds, from the Clipper Float Account to MTC to offset Clipper Program operating costs. A 10% reserve will be maintained within the Float Account to cover potential future use of the unregistered cards associated with this distribution.

Staff further recommends that the Operations Committee authorize subsequent annual distributions of Inactive Funds held on unregistered Clipper cards from the Clipper Float Account to MTC to offset Clipper Program operating costs, maintaining a 10% reserve covering all distributions of Inactive Funds, subject to Clipper Executive Board approval.



Steve Heminger

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REQUEST FOR COMMITTEE APPROVAL

Summary of Proposed Action

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|-----------------------------|---|
| Work Item No.: | 320-1221 |
| Work Project Title: | Clipper® Bank Account Cash Management |
| Purpose of Action: | Transfer \$1,460,000 identified as Inactive Funds from the Clipper Float Account to MTC to offset Clipper Program operating costs |
| Brief Scope of Work: | MTC to transfer \$1,460,000 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 \$1,460,000 in operating funds to the MTC agency budget for Clipper Program operating costs |
| Motion by Committee: | That the Executive Director or designee is authorized to distribute the \$1,460,000 identified as Inactive Funds from the Clipper Float Account to MTC to offset Clipper Program operating costs, and, subject to Clipper Executive Board approval, to make subsequent annual distributions of Inactive Funds from the Clipper Float Account to offset Clipper Program operating costs, maintaining a 10% reserve covering all distributions of Inactive Funds, as described above and in the Executive Director's memorandum dated February 1, 2019. |
| Operations Committee: | <hr/> Dave Cortese, Chair |
| Approved: | Date: February 8, 2019 |