

Clipper[®] Executive Board

December 16, 2019

Agenda Item 3b

Clipper[®] Unregistered Inactive Funds Disbursement

- Subject:** Request Board approval of a third disbursement of money, representing balances on unregistered inactive Clipper cards, from the Clipper Float Account to the Clipper Operating Budget, while also setting aside funds within the Float Account as a reserve to cover past and potential future use of inactive Clipper cards.
- 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.
- Two distributions from the Clipper Float Account of amounts representing Inactive Funds on unregistered cards have already occurred. In accordance with Clipper Executive Board direction, these distributions have not impacted cardholders’ use of their Clipper cards. The prior distributions of Inactive Funds have been, after setting aside a 10% reserve to cover any renewed card activity, applied to the Clipper Operating Budget, providing an influx of \$5,456,614 of funding to the Budgets for FYs 2018 and 2019.
- Between November 2018 and November 2019, 181,348 unregistered Clipper cards became “inactive” because their last use was between November 2015 and November 2016. \$1,994,747 of cash value is on these unregistered cards; this cash value constitutes the “2019 Inactive Funds.”
- Also, between November 2018 and November 2019, just less than 10,000 Clipper cards which had not been used since at least November 2015 were used again. The total balances on those “re-activated” cards were \$174,603.
- Issues:** The below-recommended disbursement to the Clipper Operating Budget is subject to the MTC Operations Committee approving the distribution of funds from the Clipper Float Account to the MTC Budget.
- Recommendations:** Staff recommends \$1,638,130 of the total \$1,994,747 in 2019 Inactive Funds be disbursed from the Clipper Float Account to the FY 2019-20 Clipper Operating Budget to address Operating Budget shortfalls. Staff further recommends that \$356,617 of the 2019 Inactive Funds will remain in the Float Account, so that there is a fully-funded reserve of 10% of the total potential future activity on any “inactive” Clipper cards. See Attachment A for detailed calculations.
- Attachments:** **Attachment A:** Calculations for Disbursement of 2019 Inactive Funds



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Attachment A

Calculations for Disbursement of 2019 Inactive Funds

<u>\$ 7,883,042</u>	Total Inactive Funds to present (including 2019 and net of any re-activity)
\$ 742,963	Total set-asides and replenishments of reserve, prior to 2019
<u>\$ 311,276</u>	Less: Depletions of reserve through renewed card activity
\$ 431,687	Balance of reserve as of November 2019
\$ 788,304	Amount of desired fully-funded 10% reserve
<u>\$ 431,687</u>	Less: Balance of reserve as of November 2019
\$ 356,617	Deficiency in reserve
\$ 1,994,747	2019 Inactive Funds
<u>\$ 356,617</u>	Less: Replenishment of reserve deficiency
\$ 1,638,130	2019 Inactive Funds to be disbursed from Float Account

