

Clipper[®] Executive Board

February 24, 2020

Agenda Item 3b

Application of \$1.6M in Reserves to the Fiscal Year (FY) 2019-2020 Clipper[®] Operating Budget

- Subject:** Request Board approval of the application of \$1.6M held in reserve to expenses set forth in the Clipper Operating Budget for FY 2019-2020.
- Background:** At its December 16, 2019 meeting, this Board approved the disbursement of slightly over \$1.6M of inactive unregistered cardholder funds from the Clipper Float Account into the Clipper operating reserves. The Board requested that staff provide additional information as to which operating expenses those funds would be applied before approving the inclusion of those funds in the Clipper Operating Budget.
- As shown in Attachment A to this agenda item, the Clipper Operating Budget approved by this Board in February 2019 did not assume as revenue any amount of inactive unregistered cardholder funds. The attached table also shows that expected Clipper operating expenses for FY 2019-2020 would exceed expected Clipper operating revenues by \$1.8M. This shortfall was addressed by including reserves built up from surpluses in prior fiscal years to address that deficit.
- As FY 2019-2020 has unfolded, actual Clipper operating expenses have exceeded expectations due to increased demand for Clipper cards and the corresponding increase in transaction volume, primarily as a result of BART's Clipper-only pilot which began in August 2019. While greater Clipper card adoption is certainly a very positive development, a portion of the operating costs charged under the current Clipper Contract are variable based on sales and usage. As shown in Attachment A, projected costs, based on what has already been expended in this fiscal year, are expected to exceed the budgeted amount by \$1.2M.
- Issues:** The below-recommended application to the Clipper Operating Budget of money held in reserve is subject to the MTC Operations Committee being informed of this Board's prior approval to disburse inactive unregistered funds, and the actual transfer of funds from the Clipper Float Account to the MTC Budget.
- Recommendation:** Staff recommends that \$1,638,130, currently held in reserve and available because of prior approval by this Board of a disbursement of inactive cardholder funds in the same amount, be included in the FY 2019-2020 Clipper Operating Budget as a source of revenue, to cover higher operating costs in the current fiscal year than what was originally budgeted.
- Attachments:** Attachment A: MTC FY 2019-2020 Clipper Operating Budget (Originally Approved vs Actual to Date/Projected)


Carol Kuester

MTC Fiscal Year 2019-2020 Clipper Operating Budget (Originally Approved vs Actual to Date/Projected)

Costs (\$M)	as Originally Approved in Mar 2019	Actual to Date + Projected
C1 Operating Costs – MTC	\$9.3	\$10.5
Next Gen System Integrator	\$0.3	\$0
Next Gen Other	\$0.7	\$0
MTC Staff	\$1.3	\$1.4
Misc. Clipper Operations	\$0.6	\$0.6
In Person Customer Service	\$1.2	\$1.2
<u>Customer Education</u>	<u>\$1.8</u>	<u>\$1.8</u>
Total Costs (MTC)	\$15.2	\$15.5

Revenue (\$M)	as Originally Approved in Mar 2019	Actual to Date + Projected
STA	\$7.1	\$7.1
RM2 Marketing	\$2.8	\$3.0
Additional RM2 Operating	\$2.0	\$2.0
Float Account Interest	\$1.5	\$1.2
STA Reserve	\$0	\$0.6
<u>Inactive Unregistered Funds</u>	<u>\$0</u>	<u>\$1.6</u>
Total Revenue (MTC)	\$13.4	\$15.5

Total Revenue – Total Costs	(\$1.8)	\$0
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