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Public notice was given to *The Register-Guard* for publication on December 13, 2003.

LANE TRANSIT DISTRICT
BOARD OF DIRECTORS
FINANCE COMMITTEE MEETING

December 15, 2003
4:00 – 5:30 p.m.

LTD Conference Room A
3500 East 17th Avenue, Eugene (in Glenwood)

AGENDA

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II.	ROLL CALL	
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Alternative formats of printed material (Braille, cassette tapes, or large print) are available upon request. A sign language interpreter will be made available with 48 hours' notice. The facility used for this meeting is wheelchair accessible. For more information, please call 682-6100 (voice) or 1-800-735-2900 (TTY, for persons with hearing impairments).

FINANCE COMMITTEE AGENDA ITEM SUMMARY

DATE OF MEETING: December 15, 2003

ITEM TITLE: GROUP PASS PRICING

PREPARED BY: Andy Vobora, Service Planning and Marketing Manager

ACTION REQUESTED: Approve an increase to the group pass pricing schedule by 5.9 percent effective January 1, 2005.

BACKGROUND: On November 3, 2003, the LTD Board Finance Committee discussed the current LTD fare prices. The committee directed staff to propose no increases to the standard fares for FY 2004-05. Following this discussion, the Board directed staff to return with an estimate of how much revenue would be generated from an increase to group pass prices. This increase would be based upon the three-year rolling average of District cost increases.

LTD finance staff evaluated the District's cost information and determined the three-year average cost increase to be 5.9 percent. By applying this percentage to the current base group pass prices ($9.54 per person per quarter for payroll taxpaying businesses and $11.13 for non-taxpaying businesses), it was determined that an additional $53,000 in fare revenue would be generated. A large part of this increase can be attributed to the District's recent addition of LCC to the group pass program.

The largest group pass program, University of Oregon students, pays $8.75 per student per term and negotiates their contract independent of the standard rate. Much work has been done to bring this contract rate in line with the standard rate. A recommendation to add $1.25 to the current rate has recently been submitted as part of the ASUO budget process. If approved, the new rate would stand at $10 per student per term and an additional $75,000 in fare revenue would be generated. LTD's budget hearing with ASUO occurs January 26, 2004. LTD intends to continue pursuing aggressive increases in the ASUO rate until their rate matches the standard group pass pricing rate set by the LTD Board.

Staff believes that an increase of 5.9 percent in 2005 can be sold to our group pass contractors and that the amount of the increase should not deter these organizations from continuing to participate in the program.

ATTACHMENTS: None

FINANCE COMMITTEE AGENDA ITEM SUMMARY

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DATE OF MEETING: December 15, 2003

ITEM TITLE: FINANCIAL PLANNING ASSUMPTIONS

PREPARED BY: Diane Hellekson, Director of Finance and Information Technology

ACTION REQUESTED: None

BACKGROUND: At the meeting, three different scenarios for the General Fund and Capital Projects Fund will be presented and discussed. The variations between the three scenarios are all related to capital projects. In Version 8.a.1, LTD proceeds with the EmX Pioneer Parkway Corridor project, and then goes on to the Coburg Road Corridor project. In Version 8.a.2, LTD completes the Pioneer Parkway Corridor project but defers or cancels the Coburg Road Corridor project. In Version 8.a.3, both the Pioneer Parkway and Coburg Road projects are deferred until at least FY 2012-2013.

The purpose of presenting the models in this manner is not to suggest that one of them will prove to be the preferred choice (although that possibility exists). Rather, it is to demonstrate a scenario at each end of the range of possibilities and one in the middle. Staff will ask for direction in continuing to refine assumptions that will guide budget development for FY 2004-2005 and beyond.

All three scenarios hold certain General Fund assumptions constant:

- The payroll tax increase will be implemented on January 1, 2005.
- Personnel services expenditure growth can be contained within a specified limit.
- Transfers to capital in order to maintain local match for expected future federal formula funds will continue over the life of the eight-year projection.
- LTD will win the payroll Tax Court case.
- The General Fund will be balanced by a combination of expenditure reductions, including service cuts, that will be implemented over the three-year period FY 2004-2005 through FY 2006-2007.

Additional assumptions will be explained when the meeting materials are discussed.

ATTACHMENTS: Financial Planning Projections Version 8.a.1
Financial Planning Projections Version 8.a.2
Financial Planning Projections Version 8.a.3

Q:\Reference\Board Packet\2003\12\Finance Committee 12-15\031215 FC Financial Planning Assumptions.doc

FINANCE COMMITTEE AGENDA ITEM SUMMARY

DATE OF MEETING: December 15, 2003

ITEM TITLE: BUS ADVERTISING CONTRACT RENEWAL

PREPARED BY: Andy Vobora, Service Planning and Marketing Manager

ACTION REQUESTED: Give direction on how to proceed in negotiations for transit advertising services.

BACKGROUND: Lane Transit District has a long-term relationship with Obie Transit Advertising. The bus advertising revenues have provided a needed revenue stream for the District, and local advertisers have benefited from the availability of this medium.

Over the past several years the advertising world, along with many other businesses, has seen a significant downturn. During the strong economic years of the 1990s, Obie and other transit advertising firms established contracts with transit agencies that provided a guaranteed amount of revenue and a revenue-sharing percentage if sales exceeded the guaranteed amounts. This particular contractual relationship put the transit advertising firms in a tight spot when sales began to decline.

Two years ago, Obie staff approached LTD with a proposal to reduce the cash guarantee from $419,000 annually to $300,000 annually. The remaining $119,000 would be offered in transit advertising trades with the District. This arrangement has worked well for LTD marketing as budgets for advertising have been reduced over the same period.

In preparation for the 2004 contract renewal, LTD requested that Obie pay the full amount of the guarantee in cash or make a proposal to address the situation in another way. Obie staff and LTD staff recently met to discuss Obie's financial situation. Obie's position is that they cannot be profitable at the guarantee levels currently written in the contract. They explained that they have renegotiated all of their contracts to virtually eliminate the guarantees and structure the agreements in a strict revenue-sharing format. Their proposal is to set a revenue-sharing percentage of 40 percent of net advertising sales. Based upon the Obie projections for 2004, between $600,000 and $700,000 in net sales, LTD would receive between $240,000 and $280,000 in advertising revenue. This sales estimate is very aggressive based upon 2003 net sales of around $500,000. Obie proposes no trades for LTD advertisements. From a revenue generation standpoint this makes sense because any space traded to LTD has not been available to sell as paid advertising space. The combined effect of the changes proposed by Obie is approximately $60,000 in cash and $119,000 in advertising value.

A final written proposal will be coming from Obie within the next week.

RESULTS OF RECOMMENDED ACTION: The District has the following options:

1. Accept the proposal at 40 percent revenue sharing and trust that Obie will meet their sales projections. This would result in virtually the same amount of revenue as is generated from the current contract.

2. Request a higher percentage in revenue sharing. TriMet renegotiated a 51 percent revenue-sharing standard.

3. Reject the revenue-sharing offer. Based upon Obie's financial situation, this may result in Obie canceling the contract. This would leave LTD in a situation of going back out to bid for these services. The transit advertising business has been hit hard during the recession, and we believe Obie and Viacom are the only contractors still providing such services. During the last selection process, Obie was the only bidder on LTD's advertising program, and it is likely they would be again as Viacom has seen the LTD market as too small.

ATTACHMENT: None

PROPOSED MOTION: None

Legal Notice

Lane Transit District

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Date:	May 11, 2020
To:	Carol Johnson, Legal Publications *The Register-Guard*; Fax: 687-6668
From:	Chris Thrasher, Administrative Secretary Lane Transit District; Phone: 682-6109
RE:	Notice of Board Committee Meeting LTD Purchase Order #A-02033

Please publish the following legal publication on Saturday, December 13, 2003.

NOTICE OF LTD BOARD COMMITTEE MEETING

A meeting of the Finance Committee of the Board of Directors of Lane Transit District will be held on Monday, December 15, 2003, at 4 p.m., in the LTD conference room at 3500 East 17th Avenue, Eugene (in Glenwood). Items for discussion include group pass pricing, bus advertising contract renewal, and future budget assumptions and issues.

Alternative formats of printed materials (Braille, cassette tapes, or large print) are available upon request. A sign language interpreter will be made available with 48 hours' notice. The facility used for this meeting is wheelchair accessible. For more information, call 682-6100 (voice) or 1-800-735-2900 (TTY, through Oregon Relay, for persons with hearing impairments).

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MINUTES OF FINANCE COMMITTEE MEETING

LANE TRANSIT DISTRICT BOARD OF DIRECTORS

December 15, 2003

Pursuant to notice given to *The Register-Guard* for publication on December 13, 2003, a meeting of the Lane Transit District Board of Directors Finance Committee was held at 4:00 p.m. on December 15, 2003, at Lane Transit District, 3500 East 17th Avenue, Eugene.

Present: Pat Hocken, LTD Board Member
Gerry Gaydos, LTD Board Member
Virginia Lauritsen, LTD Board Member

I. CALL TO ORDER

Ms. Hocken called the meeting to order at 4:10 p.m.

II. ROLL CALL

Ms. Hocken noted that she and Mr. Gaydos were present. The following LTD staff also were present: Diane Hellekson, Ken Hamm, Mark Pangborn, Carol James, Mary Neidig, Mark Johnson, and Andy Vobora.

III. APPROVAL OF MINUTES

Mr. Gaydos moved, seconded by Ms. Hocken, to approve the minutes of the November 3, 2003, meeting of the LTD Board of Directors Finance Committee. The motion passed unanimously.

IV. GROUP PASS PRICING

Mr. Vobora, Service Planning & Marketing manager, stated that in response to a request from the committee at the November 3 meeting, staff estimate that the amount of revenue that would be generated from a 5.9 percent increase to group pass prices would be an additional $53,000 in fare revenue. This increase would be based upon the three-year rolling average of District cost increases. A large part of this increase can be attributed to the District's recent addition of LCC to the group pass program. It is staff's recommendation for implementation in January 2005, which would mean that most businesses in the group pass program would not have seen an increase for two years.

(Ms. Lauritsen arrived.)

The Committee approved forwarding the proposal to the full LTD Board.

V. SPECIAL SERVICE PRICING

Mr. Vobora stated that a couple of years ago staff looked at the process for pricing and discounts associated with special service. That process resulted in a fully allocated rate and the discounted community service rate. In light of the budget situation and staff time involved in implementation, staff recommend pricing all special service at the fully allocated rate. The fully allocated rate, at a minimum, covers all overhead costs and depreciation of the vehicles. The risk would be possible damage of relationships with event organizers who may see the increase as too high. If LTD were not used, revenues from special service would decrease. However, none of the expenses associated with the event would be incurred.

Mr. Gaydos asked if there was a way to add flexibility to the policy. Mr. Vobora stated that currently LTD does not give breaks on the rates. With charters, LTD may donate service as a partnering opportunity. Promotional opportunities allow for waiving of charges. Mr. Vobora stated that the Federal Transit Administration is adamant about using the fully allocated rate for charter service.

In response to a question from Ms. Lauritsen, Ms. Hellekson stated that indirect costs are charged at 100 percent, including depreciation.

Mr. Pangborn believed that politically it is better to charge one rate because tax dollars subsidize the service. The UO pays the fully allocated rate for football shuttle service. Ms. Hellekson stated that LTD could save money if the UO would include the shuttle fare in their ticket price; however, UO is hesitant to do so.

VI. BUS ADVERTISING CONTRACT RENEWAL

Mr. Vobora stated that Obie Transit Advertising, the company contracted to provide advertising on LTD buses, has seen a significant downturn in business nationally over the last couple of years. Two years ago, Obie staff approached LTD with a proposal to reduce the cash guarantee from $419,000 annually to $300,00 annually. The remaining $119,000 would be offered in transit advertising trades with LTD. This arrangement has worked well for LTD marketing as budgets for advertising have been reduced over the same period. Recently, Obie has proposed renegotiation of the contract. Mr. Vobora distributed copies of their proposal, which is to set a revenue-sharing percentage of 40 percent of net advertising sales. Based upon their projection for 2004, approximately $730,000 in gross sales, LTD would receive $246,000 in advertising revenue. This proposal reduces revenue by $54,000.

LTD has three options:

1. Accept the proposal at 40 percent revenue sharing and trust that Obie will meet their sales projections.

2. Request a higher percentage in revenue sharing.

3. Reject the revenue-sharing offer, which could result in Obie canceling their contract with LTD.

If we were to go out to bid, there is concern that Obie would be the only bidder. The only other possible bidder, Viacom, does not have a sales staff in the area and did not bid last time.

Mr. Hamm, LTD general manager, preferred to go out to bid rather than take Obie’s first offer. Mr. Vobora stated that the bid process could take eight weeks, which in the meantime no income is generated.

In response to a question from Mr. Hamm, Mr. Vobora believed that most of the advertising on the buses was local versus national.

Ms. Hellekson believed it would have been better to go out to bid before the current agreement ended; however, the current agreement could be extended an additional six months.

Mr. Vobora stated that another option would be to propose a counteroffer. TriMet renegotiated a 51 percent revenue-sharing standard. In response to questions from Ms. Lauritsen, four to five national companies were sent the last Request for Proposal (RFP) three years ago. Obie was the only company that responded. Although we asked for 50 percent in the RFP, we did not get it.

In response to a question from Mr. Hamm, Ms. Hellekson stated that there does not appear to be any difference whether the contract is on the calendar year versus the fiscal year.

In response to a question from Mr. Gaydos, Mr. Vobora stated that Obie has annual contracts on their bigger sales.

The committee approved extending the current contract for up to a year.

In response to a question from Ms. Hocken, Mr. Vobora stated that the new fleet for regular service has less space for advertising; therefore, advertising on RideSource buses would offer more space.

Ms. Hellekson stated that the downside, if Obie were to say no, would be the loss of $246,000.

Mr. Gaydos recommended renegotiating and rebidding.

Ms. Hocken asked what would happen to accounts if Obie no longer had the contract. Mr. Vobora stated that Obie receives monthly payments and production costs are amortized over a 12-month period. There is an out clause in the contract with a termination process. Ms. Hocken asked for a description of the out clause.

VII. FINANCIAL PLANNING ASSUMPTIONS

Ms. Hellekson stated that the Leadership Council had worked on a number of scenarios since the Board retreat in November. She referred the committee to the latest scenarios, which were included in the agenda packet:

- Version 8.a.1 – LTD proceeds with the EmX Pioneer Parkway Corridor project, and then goes on to the Coburg Road Corridor project.

- Version 8.a.2 – LTD completes the Pioneer Parkway Corridor project but defers or cancels the Coburg Road Corridor project.

- Version 8.a.3 – Both the Pioneer Parkway and Coburg Road projects are deferred until at least FY 2012-2013.

All three scenarios hold the following General Fund assumptions constant:

- The payroll tax increase will be implemented on January 1, 2005.

- Personnel services expenditure growth can be contained within a specified limit.

- Transfers to capital in order to maintain local match for expected future federal formula funds will continue over the life of the eight-year projection.

- LTD will win the payroll Tax Court case.

- The General Fund will be balanced by a combination of expenditure reductions, including service cuts, that will be implemented over the three-year period FY 2004-2005 through FY 2006-2007.

Although the Board wanted to implement the payroll tax increase January 1, 2006, staff found that no matter how the scenarios were worked, there would not be enough money and it did not make sense to cut additional service.

There still is no information regarding the payroll Tax Court case. We have not built in any increased revenue assumptions for the major construction projects that are in the planning stage (e.g., UO arena, Federal Court House, PeaceHealth, Riverbend Hospital, McKenzie-Willamette Hospital). These projects could offset payroll tax losses in the event LTD loses the Tax Court case.

Using fairly conservative revenue estimates and tight expense projections, Leadership Council projected that it would take $2 million over a three-year period to balance the Operating Fund ($500,000 the first year, $1 million the second, and $500,000 the third year).

In response to a question from Mr. Gaydos, Ms. Hellekson stated that increases to the payroll tax must start on the calendar year. If the increase were to be implemented January 1, 2005, there is a lot of work to be done.

Ms. Hocken asked when the Board would need to make a decision on the implementation date. Ms. Hellekson stated that a decision could be made to leave the option open at the time the budget is adopted and believed a decision in summer would give plenty of time for the implementation process.

In response to a question from Mr. Gaydos, Ms. James, accounting manager, stated that LTD would run out of cash in Year 6 of the third scenario (no transfers to capital, defers Coburg Road and Pioneer Parkway Corridors). However, we would still be able to purchase buses. In the second scenario (completes Pioneer Parkway Corridor, defers Coburg Road Corridor), LTD would run out of cash in Year 3.

Mr. Gaydos believed all three scenarios made sense; however, the Board needs to have the discussion on how to preserve the core system.

Mr. Hamm noted that staff had not selected a preference.

Ms. Hocken asked if staff had explored bonded debt to enable the construction of the Pioneer Parkway Corridor. Ms. Hellekson stated that we have the ability to borrow; however, there are limits depending on the form of debt. Revenue bonds do not require a vote but would be limited to annual debt service not to exceed 10 percent of annual payroll tax receipts. At current rates, that is about $25 million in debt.

Ms. Hellekson stated that the vehicle purchases would be secured by annual payroll tax receipts but would be repaid by federal formula funds. Staff have discussed including a United Front request for $6 million to purchase bus rapid transit (BRT) vehicles. Receipt of that funding, would free up borrowing power.

Ms. Hellekson stated that the larger pot of money is general obligation bonds, which would require a vote. The limit would be 3 percent of the property value, which has not been determined.

In response to a question from Mr. Gaydos, Mr. Vobora stated that of the $500,000 in cuts proposed for the first year, staff are looking at a service cut of around $300,000.

In response to a question from Ms. Lauritsen, Ms. James stated that LTD has programmed two purchases of 30 buses at $300,000 per bus. Since the buses are debt financed, only interest expense and local match would be saved by reducing the number purchased in a certain year and purchasing later.

Ms. Lauritsen asked that staff look at a Pioneer Parkway Lite version in comparison to the full Pioneer Parkway version. Ms. Hocken believed that currently LTD was in an ideal situation to do Pioneer Parkway as efficiently as possible because it is new right-of-way versus interfering with existing businesses and residences. She recommended looking at a version that reduces the cost of the project by 20 percent.

Ms. Hocken asked if it made sense to dedicate payroll tax revenue to capital rather than ongoing operations, especially if we were to get a windfall. Ms. Hellekson stated that the concern is that we do not know what the economy is going to do and that the windfall may already be accounted for in the current assumptions.

The Autzen Stadium expansion project occurred during the period when there was the biggest drop in payroll tax receipts. LTD saw only a 2 percent decrease in payroll tax revenue whereas TriMet saw 13 percent.

Ms. Hellekson stated that self-employment tax was originally dedicated to capital until the Board felt uncomfortable restricting it.

Mr. Gaydos believed that the assumptions were good and it was a good way to present it.

The Committee approved taking the information to the full Board in a work session in January. Ms. Hellekson stated that a fourth scenario would be created which incorporates a variation of Version 8.a.2. Mr. Gaydos asked for condensed, simplified information in addition to the detailed information.

VIII. NEXT MEETING

No date was set for the next meeting.

IX. ADJOURNMENT

There was no further discussion and the meeting adjourned at 5:30 p.m.

(Recorded by Chris Thrasher, Lane Transit District)

Special Service Policy

Service to Community Events

Definition
Public transit service that is organized, by LTD or an event organizer, to address transportation needs arising from an event with a sufficient number of participants to cause negative impacts on the community's transportation network or on the neighborhood adjacent to the event site.

Access
Access to the community event transit service must be open to all persons.

Restrictions
1. Operating service for community events should not have a negative impact on regular service. There should not be a reduction in scheduled regular service levels. There also should not be a significant degradation in service capacity or scheduled timing of regular service.

2. Consideration will be given to the availability of buses and the type of bus appropriate for the event.

3. Consideration will be given to the availability of staff.

4. Consideration will be given to the availability of bus operators.

    a. Service expected to use ten (10) or more bus operators must be scheduled in advance and accounted for in the bus operator vacation bid.

    b. Service Planning & Marketing staff shall produce a service analysis for proposed special events not accounted for in the bus operator vacation bid. Transit Operations and Fleet Services must agree to the proposed service package before the District contracts with the event organizer.

Fees

~~The District will charge a base fee equaling the sum of all direct variable and direct fixed operating costs (measured as a rate per schedule hour of service), as outlined in the District's Fully-allocated Cost Plan. Events requiring extensive service planning, service marketing, and operational oversight will be assessed the base fee plus an additional fee to cover these supplementary services.~~

The District will charge fees equaling the sum of all direct and indirect costs (measured as a rate per schedule hour of service), as outlined in the District's Fully Allocated Cost Plan.

The event organizer will determine the fare charged.

Service Provided Through Charter Agreements

Definition
Transit service that is organized to meet a transportation need of a private party or organization.

Access
The contracting party or organization will determine access to chartered service.

Restrictions
Charter service will be directed to local private providers to determine the availability and willingness of these providers to provide the desired service. The District will consider contracting, through subcontracting agreements with private providers, when service on fixed routes is not compromised and when bus operators are available.

The only exception will be for organizations that are exempted in FTA 49 CFR Part 604, which allows the District to contract directly with a government entity that is a qualified social service agency, or a private, non-profit organization serving seniors or people with disabilities.

Fees
The District will charge fees equaling the sum of all direct variable and fixed operating costs, as well as indirect fixed costs (measured as a rate per schedule hour of service), rounded up to the nearest whole dollar, as outlined in the District's Fully-allocated Cost Plan.

The event organizer will determine the fare charged.

Maintenance of the Charter and Community Events Service Policy

The **Development Services Department** is responsible for maintaining this policy and recommending changes to the policy as necessary.

FINANCE COMMITTEE AGENDA ITEM SUMMARY

2

DATE OF MEETING: December 15, 2003

ITEM TITLE: SPECIAL SERVICE PRICING

PREPARED BY: Andy Vobora, Service Planning and Marketing Manager

ACTION REQUESTED: **Approve the use of fully allocated costs for all special event service.**

BACKGROUND: In December 2001, the Board revised the District's Special Service Policy. These revisions included the elimination of percentage discounts for criteria that included event aspects, such as the size of the event. The new policy language provided an opportunity to utilize the sum of direct costs rather than the fully allocated cost total. For many event organizers, this resulted in substantial savings. Events that required greater effort in terms of staffing and oversight were charged the fully allocated rate. The only event warranting the use of the fully allocated rate has been UO football shuttles.

As the District has cut staffing and service, and as events have become more complex, it seems appropriate that all special event service be charged at the fully allocated rate. This rate recognizes the full cost of service implementation and the overhead costs associated with District operations.

The change in hourly cost would increase from $68 per hour to $88 per hour. For some event organizers, this increase can be absorbed. For example, the Butte to Butte road race shuttle cost would increase from $1,224 to $1,584. For others, such as the Oregon Country Fair, the increase will be more significant as the total hours of service for their event is approximately 600 hours. An increase of $20 per hour would result in $12,000 in additional charges. Factoring the transportation costs into ticket prices or charging higher parking fees are options to mitigate these cost increases; however, there is a possibility that LTD would be dropped as the provider of this service. If LTD were not used, revenues from special service would decrease. However, none of the expenses associated with the event would be incurred.

ATTACHMENTS: Special Service Policy

PROPOSED MOTION: