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**LANE TRANSIT DISTRICT
BOARD OF DIRECTORS
FINANCE COMMITTEE MEETING**

**February 11, 2004
11:30 a.m. – 1:00 p.m.**

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

AGENDA

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I. CALL TO ORDER	
II. ROLL CALL	
Hocken _____ Gaydos _____ Lauritsen _____	
III. APPROVE MINUTES OF DECEMBER 15, 2003, MEETING	2
IV. REVENUE OPPORTUNITIES (Andy Vobora)	
V. INDEPENDENT AUDIT REQUEST FOR PROPOSAL (Diane Hellekson)	
VI. LONG-RANGE FINANCIAL PLAN DEVELOPMENT (Diane Hellekson)	
VII. OTHER BUSINESS	
VIII. ADJOURN	

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

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DATE OF MEETING: February 11, 2004

ITEM TITLE: Independent Audit Services

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

ACTION REQUESTED: None

BACKGROUND: As some Board members may remember, Lane Transit District last conducted a Request for Proposal (RFP) for independent audit services six years ago. While current procurement regulations allow for the continuation of certain professional services contracts without periodic competitive reevaluation, LTD staff believe that regular review is beneficial. The RFP process allows staff (and Board members for certain types of services) to assess the range of services available in the marketplace and to compare the costs of services. Typically such reviews would be done at no more than five-year intervals. In the case of the auditor contract, an additional year was allowed in order to implement the new reporting model without having to change service providers at the same time.

The independent auditors are one of only a handful of service providers who reports directly to the Board of Directors. Therefore, before the process can be initiated, the Board must decide on the nature of its involvement in the process. At a minimum, the Board will award the new contract. More extensive participation is possible.

In the past, the full Board has delegated audit proposal review responsibilities to the Finance Committee. At least one Finance Committee member has participated in interviews. The full Committee can choose to evaluate the proposals, interview results and staff recommendation, and take an action item to the full Board to award a new contract. Staff are requesting a discussion of the auditor selection process and direction on how to proceed in order to take a process recommendation to the full Board at the February 18 meeting. The new independent audit contract must be formally awarded by Board action no later than the regular Board meeting on May 19, 2004.

ATTACHMENTS: None

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FINANCE COMMITTEE AGENDA ITEM SUMMARY

2

DATE OF MEETING: February 11, 2004

ITEM TITLE: Long-Range Financial Plan Development – Continued Discussion

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

ACTION REQUESTED: None

BACKGROUND: At the January 21, 2004, Board meeting, staff reviewed the assumptions and concerns that are currently driving the FY 2004-05 budget development process and the revision of the rolling Long-Range Financial Plan (LRFP). Because two of the Finance Committee members were unable to attend the January meeting, and because the discussion at the meeting was time constricted, staff would like to briefly review the materials presented in January and discuss timelines for decisions. As was presented in January, the major concerns at this time are as follows:

In the General Fund:

- Payroll tax rate increase effective January 1, 2005
- Expenditure growth control, particularly in the personnel services category
- Sustainable fixed-route service levels
- Consideration of a staff proposal to balance the General Fund in three phases
- Investment of operating funds into long-term capital projects

In the Capital Projects Fund:

- Funding for the EmX Pioneer Parkway Corridor and any subsequent corridor(s)
- Timing of future corridors beyond the Franklin project (which could include a discussion of whether to construct a certain corridor at all, pick a different corridor, or limit investment in any future corridor)

There are specific components to each of these issues that will require additional or ongoing consideration and/or future action by the full Board. Staff hope to take the revised LRFP to the full Board in March or April.

ATTACHMENTS: None (There may be handouts at the meeting.)

Q:\Reference\Board Packet\2004\02\Finance Committee\040211 LRFP recap.doc

AGENDA ITEM SUMMARY

DATE OF MEETING: February 11, 2004

ITEM TITLE: Revenue Opportunities

PREPARED BY: Andy Vobora, Service Planning and Marketing Manager

ACTION REQUESTED: Discussion and Direction

BACKGROUND: Lane Transit District has a number of fare discount programs that benefit our guests and partner organizations. These programs have the potential to generate additional revenues for the District and should be evaluated as a means to address the current budget situation.

WHOLESALE DISCOUNTS

LTD offers sales of passes and tokens through retail establishments and has partnerships with governmental agencies to distribute fare instruments to their clients. Purchases by these groups are made at a 5 percent discount. In 2002, the Board reduced the wholesale discount from 10 percent to 5 percent, which resulted in a small number of sales outlets stopping their participation. This did not seem to have an affect on the sales of fare instruments, and the overall geographic coverage provided by remaining sales outlets appeared to sufficiently meet the needs of LTD guests.

If the District were to eliminate the wholesale price discounts, an estimated \$65,000 in revenue would be saved. There are a number of issues related to making such a change:

- Loss of sales outlets – It is likely that most private sales outlets would drop out of the sales program. This would mean less convenience for guests and an increase in sales at the Guest Service Center (GSC). Increasing sales at the GSC may not be a bad outcome because we are staffed during a wide range of hours and more efficient use of this resource is a benefit.
- Fewer deliveries – With fewer outlets to deliver to, GSC staff would be more available to assist at the GSC sales counter and have more time to reconcile the increased sales.
- Finance staff time – With fewer sales outlets to bill, Finance staff would have additional time to spend on other activities.
- Internet sales – Guests may find internet sales options more appealing. A question we cannot answer is how many guests have debit or credit cards available to make internet purchases.

- Government agencies – Budgets for purchasing passes and tokens would be reduced as current savings are applied to purchases.

Staff Recommendation: Eliminate the wholesale discount for public agencies, but maintain the program for private sales outlets.

SSI DISCOUNTED PASS PROGRAM

Following a major effort to review LTD's Reduced Fare Program, a number of guests were eliminated from the program based upon their disability. These guests generally fell into a category of individuals who were suffering some form of illness or injury that was not severe enough to warrant certification into the Reduced Fare Program.

Following testimony from these guests, agency personnel, and local care providers, the LTD Board directed staff to develop a separate program to meet the needs of this group. The SSI program was developed, which included a half-fare monthly pass option for these guests. As long as the guest maintained SSI certification, they were eligible to purchase a monthly pass at half fare.

In 2003, 4,160 SSI passes were sold at the \$17.50 rate. This translates into a discount value of \$72,800. Current records show that 293 individuals are certified in the SSI program, which translates into \$61,530 in estimated discount value for 2004.

In conversation with the director of Senior and Disabled Services, more information regarding the impact to guests was discovered. SDS evaluates client's needs according to the medical trips they need to make each month. If the cost of these trips is less than the cost of an LTD pass, the trips are scheduled using taxis. The cost of taxi rides and LTD passes is reimbursed through Medicaid. Medicaid covers the medical costs for SSI recipients and this includes the cost of transportation. This means that there is no impact for individuals who receive their pass through SDS. A small number of guests buy SSI passes directly from LTD, but this number is minimal.

The SSI program is not a mandatory program and, therefore, could be eliminated. Options for SSI program changes include the following:

- Leave the program alone – This will result in no additional revenue to LTD. Some administrative changes could be instituted that would free up some GSC staff time.
- Reduce the discount from 50 percent to 25 percent – A price increase from \$17.50 to \$26.25 would result in fewer sales but would likely increase revenues by approximately \$12,300 annually.
- Eliminate the discount – This would save GSC and Finance staff time, and increase revenue. A small decrease in pass sales may occur, but

because most passes are distributed free through SDS most guests would continue to receive a pass.

Staff Recommendation: Eliminate the SSI program.

NON-PROFIT AGENCY DISCOUNT

The Non-Profit Agency Discount Program was established in 1991 as a way to assist agencies that were working with clients who were not connected with government programs. A \$300 per month donation to United Way was started prior to this discount program. Catholic Community Services was designated to distribute tokens for emergency medical trips and job searches. As the needs of individuals increased and private non-profits found themselves assisting in new ways, the program changed. LTD offered qualified agencies the opportunity to purchase fare instruments at one-half the retail price. The monthly amount available for purchase is currently set at \$375 per agency/program per month. When the program was established in 1991, the Board set an annual dollar cap of \$15,000. Several years ago a review of annual sales revealed that annual sales had been increasing as the number of agencies participating had increased. The Board reviewed annual sales figures approaching \$25,000 annually and believed that the amount was acceptable.

A recent review of the program uncovered a trend that has exposed the District to greater discounts in fare revenue. Agencies have certified specific programs under their umbrella and have expanded their ability to purchase half-priced fare instruments. For example, Centro Latino was originally certified as an agency and was given the opportunity to purchase \$375 in fare instruments each month. LTD receives \$187.50 in revenue from these purchases. Now Centro Latino has ten programs that have been certified using their 501-c-3 status, which increases their purchasing capacity to \$3,750 in fare instruments monthly. If maximized, LTD would receive \$1,875. Reviewing the past two-months sales records, Centro Latino has averaged \$1,600 in purchases. This illustrates how much more the District is exposed by the expansion of agencies adding individual programs. Centro Latino is by far the largest purchaser in the program.

Current records indicate there are 108 agencies/programs participating in the program. This means that LTD's maximum exposure each month is \$20,250 or \$243,000 annually. Based upon average monthly purchases, it appears that is discounting an average of \$5,991 in fare instruments per month. This translates into \$71,892 for the coming year.

There are a number of options that may be considered:

- Leave the program as it is currently configured – This will likely result in continued growth as additional private non-profit agencies join and as programs within these agencies expand.

- Cap the program – This could involve the number of agencies/ programs that can participate or the amount of fare instrument value that can be purchased. There may be a fairness issue related to capping the number of agencies that can participate, but the District could cap the number of individual programs that fall under an agency. Capping the \$375 dollar value available each month would slow the growth of the revenue discount; however, growth would continue if the number of participating agencies was allowed to increase. Capping the amount, on the basis of the umbrella agency, does not recognize that some programs simply have a larger client base with which they provide services.
- Reduce the monthly dollar value or discount – Reducing the dollar value from \$375 per month to \$200 per month would reduce the amount of fare instruments distributed by the District; however, we cannot assume that guests using these fare instruments have the ability to pay full price. If the discount amount was reduced from 50 percent to 25 percent, the agencies would pay a higher rate. Since agency budgets are limited, it is likely that fewer fare instruments would be purchased.
- Eliminate the program – Eliminating the program would save staff time at the GSC and in Finance. I believe it is safe to assume LTD would lose ridership if this program was eliminated; however, quantifying how much ridership is difficult. Some guests served by these programs would choose to ride LTD and pay full fare; however, many may not have the resources to pay full fare. This could result in a total loss of ridership by these individuals or a reduced number of trips taken at full fare.

Staff Recommendation: Consider elimination of the discount program in future years.

REDUCED FARE RE-CERTIFICATION

The Reduced Fare Program is a federally mandated program that provides half fare for seniors, Medicare cardholders, and individuals who by reason of illness or injury need special facilities or special training to effectively use public transportation.

Within the last ten years, LTD conducted a complete recertification of all Reduced Fare Program participants. This process helps clean up records for individuals who no longer live in the area, who are now over age 62 and receive half-fare status based upon age, or who are deceased. It also provides an opportunity to review records for individuals who were certified but do not meet the federal definition of disabled as outlined in the FTA regulations.

In a review of current certifications, staff has discovered that a significant number of individuals received Reduced Fare certification but do not meet

the certification guidelines. A change in the certification process will provide LTD an opportunity to rectify this situation in the future. While most Reduced Fare participants are certified “permanently,” there is an opportunity to review records in the coming year because the photo identification cards have been printed with a 2005 expiration date.

It is staff’s intent to scrutinize the records of all participants as new photo identification cards are processed throughout the coming year. This will result in some guests being denied eligibility in the program. These individuals may feel this has been done unjustly because they were originally approved and have been receiving the Reduced Fare benefit. Some may choose to voice their disagreement with the Board or pursue discrimination claims through FTA. LTD staff will take great care to ensure all eligible individuals maintain their Reduced Fare status. GSC staff estimate the number of affected guests could reach 1,000; however, there is no way to verify this number prior to processing the records. If 1,000 is a correct number, then the resulting increase in fare revenue could be significant. If all 1,000 were pass buyers, which they are not, the increase in fare revenue would approach \$210,000 annually. Determining the exact breakdown of guests paying cash, tokens, or passes is difficult and, therefore, no one should go to the bank with this \$210,000 figure. However, it is safe to assume that most of these individuals would continue to ride and would pay full fare, thereby increasing the District’s fare revenue.

LTD could choose to begin the stricter certification process now and leave all currently certified guests in the program. This would result in no additional fare revenue and a significant number of guests would be receiving a benefit they do not qualify for based upon their disability.

Staff Recommendation: Begin the recertification process using the FTA definition of disabled and using a new interview certification system.

ELIMINATE GENERAL PUBLIC TOKEN SALES

When we evaluate how guests pay fares, tokens represent a very small portion of the total. In the 1999 Origin and Destination Survey, tokens were used by 4 percent of all guests. Current annual token redemption stands at 229,315 full-fare tokens. If we assume that each token represents one trip, then the number of trips affected by this change would be 3.8 percent of the six million plus annual LTD trips. The actual impact may be slightly greater than 3.8 percent due to the fact that most token users deposit two tokens and purchase a day pass. We do not have a current figure for how many trips are taken by the average day pass user; however, we know overall that our guests ride an average of 2.27 trips per day.

Tokens are discounted 20 percent from the base cash fare; therefore, eliminating tokens would result in a range of savings for LTD. At the

maximum, assuming all token users paid cash fare, LTD would receive approximately \$65,000 in additional revenue. Some guests may move to purchasing monthly passes, which would have a negative impact on revenues. Note that most tokens are purchased by agencies and not the general public.

Eliminating tokens would have a significant impact on our non-profit discount program and on agency partners such as the Department of Human Services. These agencies purchase many tokens for their clients. Tokens work well because they have limited street value and, therefore, clients are inclined to use them for their intended purpose rather than sell them for cash. Staff would propose maintaining the sale of tokens to agencies. An alternative of selling day pass coupons was discussed, but the cost of printing and the potential for counterfeiting directed us back to maintaining tokens for these programs. As part of maintaining the sale of tokens, it is recommended that the price be increased to match the cash fare. The reason tokens are discounted for general public use is to encourage prepaid fare use and move guests toward the purchase of monthly passes. Many transit agencies offer tokens at full cash rates in order to provide a convenient “exact fare” instrument. If the District is not going to sell tokens to the general public, and is simply providing token sales because it meets the agency program needs, there does not seem to be any incentive for LTD to discount the fare. The Board should recognize that coupling this change, with the change to the wholesale discount, will have a negative affect on the buying power of the agencies. An option would be to phase this change in over two years. The discount could be reduced to 10 percent this year and then eliminated the following year.

The use of reduced fare (small) tokens is 34% of full-fare tokens. Most guests paying reduced fare use a full-fare token to purchase a day pass, therefore eliminating reduced fare tokens would benefit the District while having minimal impact on our guests. There will be a small number of guests who ride one bus, one way, who will be affected by this change.

Staff Recommendation: Eliminate general public token sales. Maintain token sales to the agencies at current rates. Eliminate reduced fare tokens. Consider elimination of the token price discount in future years.

REDUCE THREE-MONTH PASS DISCOUNTS

Lane Transit District has offered a discounted three-month pass for many years. Current pricing offers guests a 43 percent discount off cash fares. Staff has discussed eliminating the three-month option; however, there are benefits to both LTD and our guests that make it attractive to maintain. LTD receives a long-term commitment, has cash in the bank, and only needs to provide sales services four times per year. Guests receive three individual monthly passes, which reduces their liability in the event of a lost or stolen pass, and they receive an increased discount.

Over the past twelve months, a total of 4,365 three-month passes have been sold. Passes are sold to adults, youth, seniors, and reduced fare guests. The greatest number of sales is to youth who purchased 1,540 passes over the past twelve months. If we consider all categories, the average monthly sales is 364 or an average of 91 per category per month.

Decreasing the discount to 37 percent would result in a price increase of \$10 for the full-fare pass and \$5 on the reduced-fare pass. It is likely that guests will either pay the additional cost or switch to monthly pass purchases. Either way, the District should realize additional revenue. It does mean additional sales transactions for GSC staff to process monthly. If all current purchasers continue to purchase three-month passes, \$27,720 in additional revenue would be realized.

Eliminating the discount would likely result in bigger revenue increase and would create significant administrative time savings. If all three month pass purchasers switched to monthly passes, an additional \$55,430 in revenue may be realized.

Staff Recommendation: Eliminate the discount for three-month passes.

ELIMINATE THE LANE COMMUNITY COLLEGE FASTPASS

The FastPass is currently priced at \$54 and allows guests unlimited rides for the term. The program has been in place for many years and had been the primary pass program for LCC students, faculty, and staff. In the fall of 2003, a group pass program was started for credit students at LCC's main campus.

The term pass price had been subsidized by LCC in order to buy-down the price; however, this subsidy was discontinued this year and the full price is now paid by the purchaser. Sales have dropped significantly and it seems to make sense to discontinue the program and ask current purchasers to buy monthly or three-month passes. This eliminates the cost of printing the pass, distributing the pass, and billing the college, and reduces the number of passes bus operators must validate each day.

Staff Recommendation: Discontinue the sale of the LCC FastPass beginning fall term of 2004.

SUMMARY

Staff is interested in direction from the Committee regarding each of the programs discussed above.

RESULTS OF RECOM-

MENDED ACTION: Based upon the Committee's direction, staff will draft program changes. Prior to presenting these to the full Board, efforts to communicate changes to affected individuals and agencies will occur. Affected parties will be invited to participate in the discussion and to develop other alternatives that may work for them and LTD.

ATTACHMENT: LTD Fare Policy
Pricing Plan
Fare Media Relationship

PROPOSED MOTION: None