

MINUTES OF FINANCE COMMITTEE MEETING
LANE TRANSIT DISTRICT BOARD OF DIRECTORS

December 4, 2001

Pursuant to notice given to *The Register-Guard* for publication on November 30, 2001, a meeting of the Lane Transit District Board of Directors Finance Committee was held at 4:00 p.m. on December 4, 2001, at Lane Transit District, 3500 E. 17th Avenue, Eugene.

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

I. CALL TO ORDER

Ms. Hocken called the meeting to order at 4:08 p.m.

II. ROLL CALL

Also present were: Ken Hamm, General Manager; Mark Pangborn, Assistant General Manager; Diane Hellekson, Finance Manager; Carol James, Accounting Supervisor; Andy Vobora, Service Planning & Marketing; Terry Parker, Special Transportation Program; Steve Parrott, IS Manager.

III. APPROVAL OF MINUTES

Ms. Hocken asked that the minutes of the November 6, 2001, meeting be amended on page 5, under Other Business, to state that for those Board members whose terms are expiring in January, can continue serving on the Board, as long as they are willing, until **their replacement is appointed**.

Ms. Lauritsen moved, seconded by Ms. Hocken, to approve the minutes of the November 6, 2001, meeting of the LTD Board of Directors Finance Committee as amended. The motion passed unanimously.

IV. SPECIAL SERVICE PRICING

Mr. Vobora stated that based on the Board's discussion on November 16, 2001, staff pursued the following options for modifying the current Special Service Policy:

1. Leave the pricing at the current rate, which totals the sum of direct costs.
2. Charge the fully allocated rate.

3. Use the sum of direct costs as the base for all events and add additional fees based upon the complexity of the service package.

Staff recommended that the Special Service Policy be amended to read as follows:

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.

In response to a question from Ms. Hocken, Mr. Vobora compared the current direct cost rate of \$58/hour to the fully allocated rate of \$80/hour.

Ms. Hocken asked if LTD could charge all complexity costs, would it get close to the fully allocated rate? Ms. Hellekson believed that costs might be greater than the fully allocated rate, especially for events like UO football shuttle service.

Ms. Lauritsen stated that one rate in between the direct cost rate and the fully allocated rate might cover costs for all special events. Mr. Pangborn responded that each event needed to be looked at individually using set guidelines.

The UO sets the fares for basketball and football service. A recent fare revenue capture showed that less than 10 percent of the revenue came from LTD monthly and group passes.

In response to a question from Ms. Hocken, Mr. Vobora stated that the direct cost rate would include costs for personnel time as well as advertising. Capital costs, depreciation of vehicles, and materials and supplies are not included in the rate.

The Federal Transit Administration (FTA) would prefer that LTD charge the fully allocated rate in order not to compete unfairly with private business.

In response to a question from Ms. Lauritsen, notice of special event fares are included in the marketing package. Staff will notify all the effected groups of the proposed pricing change to given them an opportunity to give public testimony at the December Board meeting.

Mr. Hamm stated that staff have been reviewing the special event fare structure as part of the strategy to reduce the projected shortfall.

Ms. Hocken believed that this was a good time to look at the UO group pass contract.

The Committee agreed with staff's recommendation to use Option 3.

V. PRICING PLAN

Mr. Pangborn stated that KVAL-TV had contacted him for an interview regarding the proposed fare increase.

Mr. Vobora referred the Committee to the Pricing Proposal Summary on page 11 of the agenda packet. Staff proposed increasing passes by 25 percent and tokens by 18 percent.

	Current Price	Proposed Price
Adult:		
One-month pass	\$28.00	\$35.00
Three-month pass	\$65.00	\$85.00
Token	\$ 0.85	\$ 1.00
Youth, Senior, Reduced:		
One-month pass	\$14.00	\$17.50
Three-month pass	\$32.50	\$42.50
Token	\$ 0.42	\$ 0.50

Mr. Vobora stated that cash fare increased last year by 25 percent. LTD has been conservative with fare increases over the years. This proposal would be more aggressive with the pass prices and would increase the token prices so the discount between the two instruments is more uniform. Mr. Hamm believed that \$35 for a monthly adult pass is still a reasonable discount.

Mr. Vobora then referred the Committee to Projected Revenues Based on Proposed 2002/2003 Fare Changes, which was included in the agenda packet on page 12. Revenue numbers do not reflect wholesale discounts. The industry standard shows that for every 10 percent increase in fare, there is a 4 percent decrease in sales.

Staff proposed to increase the LCC term pass from \$43 to \$54. A set number of passes is sold for three terms; whatever is leftover in terms of the allocation is sold during summer term.

In regards to group pass revenue, all contracts would increase in January to reflect changes in the 2001-2002 Pricing Plan. One exception was the UO contract, which is negotiated with the students. This is the second year of a two-year contract, which was capped at \$375,000 based on a rate times average student enrollment. Enrollment at the University of Oregon increased significantly this year, which means revenue loss for LTD. Mr. Vobora noted that the attorney general ruled that a vote by students for incidental fees is not legal anymore. Staff would now present a budget to UO for approval suggesting a 25 percent increase in rate per term. The new contract would not be capped. In a comparison with colleges around the country, the UO group pass rate of \$9.40 per student per term is inexpensive.

Ms. Parker, with LTD's Special Transportation Program, stated that a consultant was hired to evaluate the RideSource program. In regards to fares, David Norstrom reported that fare management needs to be considered more as a means to manage demand rather than a means to generate revenue. Look at fares as a way to change people's behavior. The consultant suggested the following changes:

	Current Fare	Proposed Fare
Regular	\$2.00	\$2.50
Escort	\$2.00	\$2.50
Shopper	\$2.00	\$2.50
10 Tickets	\$15.00	\$20.00

On December 13, the Special Transportation Advisory Committee (STAC) would develop a recommendation for fare increase.

Ms. Lauritsen liked the demand management concept.

Mr. Pangborn stated that it was staff's recommendation to raise the rate to the ADA-allowable maximum.

(Mr. Gaydos arrived at 4:52 p.m.)

Ms. Hocken preferred to wait until the STAC makes a recommendation on proposed fare increases before presenting the proposal to the full LTD Board.

In response to a question from Ms. Lauritsen, Mr. Vobora stated that an additional \$75,000 in revenue was predicted for special events and an additional \$150,000 with fare increases.

In response to a question from Ms. Lauritsen, Mr. Vobora stated that \$16,000 to \$20,000 in revenue would result from not allowing other fare instruments in paying for special event fares. Ms. Lauritsen believed it that was too small amount to make a change.

Mr. Hamm stated that it is the UO's goal to increase the number of football shuttle riders to 11,000.

In response to a question from Ms. Hocken, Ms. Hellekson stated that the fare increase and special event pricing proposals would make up one third of the \$650,000 net savings goal this year.

Ms. Hocken suggested showing the discount rates to the LTD Board.

Mr. Gaydos offered the following remarks in regards to the Special Service Policy:

- Agreed LTD should move in the proposed direction.
- Need more contribution from users.
- Be more aggressive.
- Both approaches make sense.

The Committee approved taking the Special Service Policy revisions to the Board in December. The Pricing Plan, including the RideSource piece, would be presented to the Board in January.

VI. CAPITAL IMPROVEMENTS PROGRAM (CIP)

Mr. Pangborn distributed copies of the Capital Projects Summary. Assumptions included the following:

- Finance only one BRT Phase II alignment
- Rebuild 800 series buses instead of replacing
- Postpone projects:
 - Fairgrounds Park & Ride
 - River Road Station repairs
 - UO Station enhancement
 - Coburg Park & Ride
 - LCC Bus Only Lane
- Add \$2 million to BRT Phase I
- Revise cost of Springfield Station to \$3.8 million

Mr. Pangborn stated that rebuilding the buses would be half the cost of buying new buses. Federal formula dollars can be used.

In response to a question from Ms. Hocken, Mr. Pangborn stated that the Springfield Station project would be scaled down to include a platform and shelters, similar to the Seneca Station in Eugene. He noted that the United Front would be asking for more money for the Springfield Station next year.

Capital reserves were projected to be \$12.7 million at the end of this fiscal year. Reserves are slowly decreasing. LTD cannot finance the CIP under the current assumptions. LTD would need to generate more revenue (grant money or funds from a dedicated source) or have more contributions from General Fund to build up capital reserves. If we transferred \$3 million from General Fund to Capital Fund each year, it still would not be enough to cover the deficit.

Ms. Hellekson stated that if LTD did nothing but BRT for the next five years, there still would not be enough money to fund the project. Staff would develop a CIP without BRT for a comparison.

In response to a question from Mr. Gaydos, Ms. Hellekson stated that planned debt placement over the next five years is approximately \$22 million. Assuming reauthorization, LTD can handle 80 percent of the debt service with formula funds. Only new vehicles would be financed with debt, not rebuilt buses. It may be possible to debt finance the local share of BRT vehicles.

In response to a question from Ms. Hocken, Ms. Hellekson stated that the current bus purchase approved by the Board included 18 Gillig buses, 5 articulated buses, and 6 hybrid-electric buses.

In response to a question from Mr. Gaydos regarding the Pioneer Parkway alignment for BRT Phase II, Mr. Pangborn stated that LTD hoped that the City of Springfield would

dedicate land that could be used as local match against real incoming cash. Mr. Gaydos encouraged policy-level discussions.

Further discussion of the CIP would be delayed until the next meeting, which was scheduled for January 7, 2002, from 4:00 p.m. to 6:00 p.m.

VII. ADJOURNMENT

There was no further discussion and the meeting adjourned at 5:40 p.m.

(Recorded by Chris Thrasher, Lane Transit District)

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Amended 1/16/02