MINUTES OF FINANCE COMMITTEE MEETING

LANE TRANSIT DISTRICT BOARD OF DIRECTORS

February 11, 2004

Pursuant to notice given to *The Register-Guard* for publication on February 8, 2004, a meeting of the Lane Transit District Board of Directors Finance Committee was held at 11:30 a.m. on February 11, 2004, 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 11:39 a.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, Carol James, Andy Vobora, and Mary Neidig (arriving at 12:35 p.m.).

III. APPROVAL OF MINUTES

Mr. Gaydos moved, seconded by Ms. Hocken, to approve the minutes of the December 15, 2003, meeting of the LTD Board of Directors Finance Committee. The motion passed unanimously.

IV. REVENUE OPPORTUNITIES

Mr. Vobora, Service Planning & Marketing manager, reviewed a list of revenue opportunities as outlined in the agenda packet:

1. <u>Wholesale Discounts</u>

   Retail outlets that sell LTD passes and tokens are given a 5 percent discount. The 5 percent discount also applies to governmental agencies who only distribute (not sell) fare instruments to their clientele, except for the Department of Human Services who asks clients for a subsidy.

   If the wholesale discount were eliminated, Mr. Vobora believed that LTD could lose most of the private sale outlets (e.g., 7-Eleven stores). The customer service areas at Valley River Center and Gateway Mall may continue to be a sales outlet as a community service, as would the Eugene 4J high schools.

   Guests would probably adapt to the change and might find the Internet sales option more appealing.

With fewer outlets, Guest Service Center (GSC) and Finance staff would have additional time to spend on other activities.

Staff recommended elimination of the wholesale discount program, which would generate an estimated $65,000 in revenue.

Mr. Gaydos agreed with staff's recommendation.

Ms. Hocken questioned how the Internet sales would work. Mr. Vobora stated that payment of orders would be by credit card. The Store Front program also has the ability to track and notify.

In response to a question from Ms. Hocken, Mr. Vobora stated that the changes to the program would probably take effect in the summer.

Ms. James stated that a large number of Springfield residents rely on the sales outlets such as 7-Eleven stores and do not purchase fare instruments in Eugene. The 58th Street and 14th Street 7-Eleven stores are the two highest volume retail sales outlets. Gateway Mall has higher sales than Valley River Mall. In October 2003, of the 1,102 adult passes that were sold at outlets other than the GSC, 218 were sold through retail outlets, 18 to schools, and 866 to Department of Human Services. Of the 218 sold through retail outlets, the 58th Street 7-Eleven sold 35, the 14th Street 7-Eleven sold 47, and Gateway Mall sold 31.

The Springfield Station is being designed with a sales window and a fare machine, but it is uncertain at this time whether the station will be staffed to sell fare instruments. The station could be staffed for fare sales the week preceding a new month, which is the highest sales period.

Mr. Vobora believed that guests would adapt to a different sales location.

Ms. Lauritsen believed that people in the 14th Street area would not be high Internet users.

Mr. Vobora stated that private sales outlets are less than 40 percent of our sales. GSC is still the biggest seller.

In response to a question from Mr. Gaydos, Mr. Vobora stated that the schools receive a discount for selling passes. In the past, schools have been very vocal with regard to decreasing the discount. Because the Eugene schools get a waiver from the state of Oregon for transportation, they could provide the service without getting a discount from LTD.

Ms. Hellekson stated that staff is currently looking at installing equipment at EmX stations that would allow for cash and/or credit card sales.

The committee recommended that staff amend the recommendation to the full Board to maintain the wholesale discount and private sales structure but charge the agencies.

2. SSI Discounted Pass Program

This program was developed when a number of guests were eliminated from the Reduced Fare Program because their disability was not severe enough to warrant certification under that program. The Supplemental Security Income (SSI) program includes a half-fare monthly pass option as long as the guest maintains SSI certification. Primary distribution of passes is through Senior and Disabled

Services (SDS). Mr. Vobora recently learned that the cost for transportation to medical appointments is subsidized by Medicaid and that very few SSI clients incur any out-of-pocket costs.

Some clientele in the SSI program are persons with mental illness. A number of these individuals may lose services, but White Bird Clinic provides transportation, through the LTD Special Transportation Program, for persons with mental illness.

Staff recommended elimination of the SSI discounted pass program, which would require individuals and agencies to pay full price for monthly passes. An estimated $61,530 in revenue would be generated.

Ms. Hocken and Mr. Gaydos supported staff's recommendation.

(Ms. Lauritsen arrived.)

3. 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 governmental programs. LTD offered qualified agencies the opportunity to purchase fare instruments at one-half the retail price. An annual dollar cap was set at $15,000, which was later increased to $25,000. The monthly amount available for purchase is currently set at $375 per agency/program per month. Some agencies such as Centro Latino and ShelterCare have several local facilities, which increases their purchasing capacity.

Mr. Vobora believed that the program could further expand as state agencies eliminate services as a result of the recent failure of Measure 30.

In response to a question from Mr. Hamm, Mr. Vobora did not know of another agency with a similar program.

Ms. Lauritsen believed that some agencies/programs would go away because of all the cutbacks. The Human Services Commission is looking at a 9 percent reduction in grants to agencies they serve. Mr. Vobora said that staff are looking for a balance rather than cutting service.

Staff recommended phasing the discount down from 50 percent to 30 percent over a two-year period.

Mr. Gaydos preferred to discuss this option with the full Board.

4. Reduced Fare Recertification

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. In a review of current certifications, staff discovered that a significant number of individuals received Reduced Fare certification but do not meet the certification guidelines as outlined in the Federal Transit Administration (FTA) regulations. GSC staff would scrutinize records of all participants as photo ID cards expire in 2005, at which time some guests may be denied eligibility in the program. The process could take a year or so to complete. GSC staff estimate the number of affected guests could reach 1,000. If those 1,000 guests were pass buyers, the increase in fare revenue would approach $210,000 annually.

Staff recommended review of the Reduced Fare recertifications. The Committee agreed.

5. Eliminate General Public Token Sales

Token sales initially were set up to get people into a prepaid system. Currently, tokens are discounted 20 percent from the base cash fare. Elimination of token sales to the general public would require guests to purchase passes or pay cash fare. Assuming all token users would pay cash fare, an estimated $65,000 in revenue would be generated. Most tokens are purchased by agencies and not the general public. The process of packaging tokens for resale in packets of five is very labor intensive for staff.

Staff recommended eliminating the sale of tokens to the general public. With that, tokens could be packaged in larger quantities for sale to the agencies. Staff also recommended reducing the discount to 10 percent in FY 2004-2005 and eliminating the discount in FY 2005-2006.

Mr. Gaydos agreed with the recommendation but wanted the agencies to know that tokens as a fare instrument may be eliminated in the near future. Ms. Hocken and Ms. Lauritsen agreed.

Ms. James added that the small tokens could be eliminated totally because they are not widely distributed. The committee agreed.

6. Reduce Three-Month Pass Discounts

Mr. Vobora referred the committee to page 25 in the agenda packet for a review of the current and proposed fare media relationships.

Staff recommended decreasing the three-month pass discount from 43 percent to 37 percent off cash fares, which results in a price increase of $10 for full-fare passes and $5 for reduced fare passes.

Youth are big purchasers during the school year. Mr. Vobora introduced the idea of a 9-month student pass for the school year.

In response to a question from Mr. Gaydos, Mr. Vobora stated that some other agencies offer discounted three-month passes but not at such a deep discount.

After a brief discussion of the program and cost to administer the program, the committee favored eliminating the three-month pass.

7. Eliminate LCC FastPass

With the success of the LCC group pass, which began in Fall 2003, not many FastPasses have been sold. Staff recommended discontinuing the sale of the LCC FastPass beginning fall term of 2004. The committee was in agreement.

8. Youth Pass

Mr. Vobora stated that bus operators are seeing more guests cheating the system with the Youth pass. Staff are looking at creating a Student pass for middle and high school students that would replace the Youth pass. Stickers would be purchased for placement on student ID cards. Elementary, home-schooled, or homeless students could get an ID card from GSC. High school principals support the idea.

In response to a question from Mr. Hamm, general manager, Mr. Vobora stated that the cost of the new program would be about the same.

V. INDEPENDENT AUDIT SERVICES

Ms. Hellekson, director of Finance and Information Technology, stated that it has been six years since the last Request for Proposal (RFP) for independent audit services. Although we are not required to go out again for a professional services RFP, staff believed it is good to periodically review what is available in the marketplace. In the past, this committee has served both as the Finance Committee and the Audit Committee. The last time we did this process, the Board chose to have little Board involvement. Ms. Hellekson asked the committee if they would like to be involved in the process this time and to what degree.

The RFP would be advertised in the *Register-Guard* and *The Daily Journal*. RFPs would also be sent to firms identifiable with municipal licenses.

Ms. Lauritsen was willing to participate on the interview panel.

Ms. Hocken would give a report to the full Board.

VI. LONG-RANGE FINANCIAL PLAN

Ms. Hellekson asked Ms. Lauritsen and Ms. Hocken if they had any questions regarding the Long-Range Financial Plan since they were not at the Board meeting in which the materials were presented.

Ms. Hellekson stated that there are still decisions to be made regarding capital projects. A joint meeting of the LTD Board and the Eugene City Council on February 23, 2004, would include discussion regarding delay of the EmX Coburg Road Corridor, and the District’s mission regarding weighing coverage versus productivity and capital versus operating.

The Long-Range Financial Plan and Capital Improvements Program would be presented to the Board again in March.

Ms. Hellekson distributed copies of Administrative Personnel Services Assumptions for FY 2004-05, which showed a breakdown of components of current benefit structure and how they contribute to the percent of salaries. Leadership Council would develop a recommended combination of the components that does not exceed 4 percent for administrative employees.

Mr. Hamm stated that administrative employees were surveyed to determine priorities in regard to health care, pension, and salaries. Results showed the highest priority for retaining current salary structure.

Ms. Hellekson stated that we would need to limit the increase of Personnel Services to 4 percent for the next three years. Health care is predicted to increase by 17 percent and the defined benefit pension contribution is predicted to increase at 13.3 percent next year.

In response to a question from Ms. Hocken, the defined benefit pension increase of 13.3 percent assumes a three-year smoothing method. The ATU pension benefit is 1.7 percent of wages versus 1.19 percent for administrative employees.

The ATU negotiation strategy team has identified targets in the current contract. Negotiations will begin in April.

Staff is looking at a Health Reimbursement Arrangement (HRA) model as an option to reduce health care benefit costs. The City of Springfield currently uses this program with success.

The committee recommended a work session with the full Board regarding the Long-Range Financial Plan and labor negotiation strategy.

VII. NEXT MEETING

Staff would schedule a meeting of the committee before the March Board meeting.

VIII. ADJOURNMENT

There was no further discussion and the meeting adjourned at 1:13 p.m.

(Recorded by Chris Thrasher, Lane Transit District)

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