

MINUTES OF FINANCE COMMITTEE MEETING
LANE TRANSIT DISTRICT BOARD OF DIRECTORS

June 5, 2007

Pursuant to notice given to *The Register-Guard* for publication on June 3, 2007, a meeting of the Lane Transit District Board of Directors Finance Committee was held at 4:00 p.m. on June 5, 2007, at Lane Transit District, 3500 East 17th Avenue, Eugene.

PRESENT - Mike Dubick, Dean Kortge, Debbie Davis

CALL TO ORDER – Mr. Kortge, committee chair, called the meeting to order at 4:00 p.m.

ROLL CALL – It was noted that all committee members were present. The following LTD staff also attended: Diane Hellekson, Mark Pangborn, Carol James, Stefano Viggiano, Andy Vobora, Tom Schwetz, and Chris Thrasher. Chuck Swank from Grove, Mueller & Swank, P.C., attended for the audit information discussion.

MINUTES – Mr. Dubick moved, seconded by Ms. Davis, for approval of the minutes of the February 7, 2007, Finance Committee meeting. Motion passed unanimously.

STUDENT PASS DISCOUNT – Mr. Vobora stated that there is a slight possibility the Oregon Department of Energy (DOE) could continue to fund the student transit pass program for the FY 07-08 school year. News of the program ending created concern in the community. Staff presented options related to youth pass pricing should the program end:

1. Require students to purchasing monthly and three-month passes at current rates, which is at a 50 percent discount from full pricing. This option would allow the District to better understand how providing free passes does or does not change riding habits. It was estimated that this option would result in a reduction of fare revenue of approximately \$150,000.
2. Provide students free ridership on LTD buses. This option would result in a reduction of fare revenue of approximately \$600,000.
3. Provide a deeper pass price discount to students. A pass price of \$9.75 per month and \$25.75 for three months would result in a reduction in fare revenue of approximately \$201,000 annually.
4. Choose a different rate that would either be transitional or permanent.

Some of the smaller schools have signed agreements for the group pass program. Larger schools did not have the funding; however, a number of the those students who receive free or reduced lunches get bus passes also.

The Committee agreed with staff's recommendation for Option 1.

AUDIT INFORMATION – Ms. James introduced Mr. Swank from Grove, Mueller & Swank, LTD's auditors, who was present to discuss changes in auditing standards.

Auditing standards are promulgated by the American Society of Certified Public Accountants. There has been increased emphasis on the auditor to communicate directly with those who have the ultimate responsibility for the financial integrity of the District. This consists of the systems that protect the assets of the District not just financial reports that are published once a year. The new standards entail communicating any expectations and/or concerns before, as well as after, the audit.

It is the auditors' responsibility to look at the check and balance systems used to protect the District's assets. Agencies receiving federal funds require an additional auditing process. Auditors are concerned about mistakes and errors as well as potential fraud. LTD has a good system of internal control with competent staff.

It is management's responsibility to make sure the systems of internal controls are in place. Auditors are mandated to inform the Board of incompetent financial management. The Board needs to understand what the auditor did or did not do and the importance of financial reporting and the financial function.

The Committee agreed to discuss findings with the auditor after the audit is completed in September.

OLYMPIC TRIALS SERVICE REQUEST – Mr. Vobora informed the Committee that the local organizing committee for the 2008 Olympic Trials to be held in Eugene would be asking the Board for free shuttle service. The request for 1,300 hours of service equates to approximately \$150,000 at the fully allocated cost rate or \$79,000 at the direct variable cost. The direct variable cost covers the bus operator, supervisor, and maintenance related to vehicle operation; it would not cover overhead and cost to the District. The amount would be split over two budget years.

Service would include shuttles to the airport and warm-up and event field for athletes, and separate spectator shuttles.

Mr. Dubick stated that having the event in town will have a positive effect on the community and the use of LTD service. Theoretically, the cost would be reduced by the amount of increased revenue from ridership. Ms. James added that payroll tax receipts should increase during that time.

Mr. Pangborn preferred to share the cost with the organization to cover minimal costs.

Mr. Vobora added that other government agencies (e.g, police, etc.) were not providing free service.

Staff would gather more information for discussion with the full Board.

RIVER ROAD STATION -- LTD has leased the station site at the corner of River Road and Beltline from Lane County for \$100 a year for almost 30 years. This year's lease expires on September 29, 2007. County staff have indicated that they will not renew the lease for this nominal amount, but will seek an amount closer to market value. An appraisal done by the county has placed the value of the property at \$2.9 million, which suggests a lease rate of about \$200,000 per year.

Mr. Schwetz stated that the Board had given staff permission to pursue purchase of the property. The Board of County Commissioners, however, directed their staff to pursue a long-term lease

option. County staff proposed a long-term lease that would allow subleasing because they realize, as does LTD staff, that a portion of the property is commercially viable, which could generate the market lease. The County also proposed to handle the subleasing. LTD staff is looking at the due diligence.

At a previous Board meeting, the Board looked at different site options, but all had flaws. Staff is looking at what impacts on service would be.

In response to a question from Mr. Dubick, Mr. Schwetz said that one possibility might be to partition the site in order to sell one portion and lease the other.

Mr. Viggiano suggested partnering with a business that would require night-time parking use.

Mr. Schwetz stated that a decision would need to be made by September 29, 2007.

Mr. Kortge asked if potential development of the Triad hospital would have an impact on the site. ODOT is looking at improvements that might involve the addition of an emergency vehicle access lane on the eastbound on-ramp at River Road. Mr. Schwetz was not sure how that would impact the station.

NEXT MEETING -- Ms. Thrasher would schedule a meeting of the group for early August to discuss the audit and the River Road Station.

ADJOURNMENT – There was no further discussion, and the meeting adjourned at 5:15 p.m.

(Recorded by Chris Thrasher, Lane Transit District)

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