
Board of Directors –Finance Committee – extra meeting
Meeting Minutes
February 25, 2019

Minutes of the Board of Directors Finance Committee Meeting of Wednesday, February 25, 2019 held at 4:00 p.m. in the Greater Portland Transit District’s conference room, 114 Valley Street, Portland.

Committee Members Present:

Paul Bradbury
Merrill Barter (via telephone)
Jim Violette
Mike Foley

Staff and Others Present:

Glenn Fenton
Ellen Sanborn
Lauren Shaw

Non-Committee Board Members Present:

Hope Cahan

1. The meeting was called to order at 4:03 p.m. by Paul Bradbury.

2. Public comment

No members of the public were present.

3. Meeting Minutes

Motion made by Mike Foley to approve the minutes from the February 6, 2019 Finance Committee meeting as written, seconded by Jim Violette. **Unanimously approved by all present** (Merrill Barter via telephone).

4. Automated Fare Policy and Technology

The committee’s discussion focused on slide #30, Revenue Impact for Various Fare Policy/Technology Scenarios (graph). Paul Bradbury pointed out that the FY19 Operational Budget includes an estimate of \$2.634 million in fare revenue. However, the graph, which is a projection of 2020 fare revenue, shows a lesser value mid-line of \$2.35-\$2.45 million fare revenue if no changes are made to the current fare price of \$1.50 and no changes are made to the fare media. How does the agency expect to meet its goal of fare revenue being no less than 25% of total operating expenses, even at the high end noted with fare capping? Why go ahead with a program when it is known ahead of time that the goal will not be reached? He feels that \$2.00 is the correct maximum increase at this time.

Glenn Fenton, Chief Transportation Officer, explained the proposed FY19 Operational Budget includes and the anticipated fare increase to go into effect in August/September while the graph’s mid-line does not include any fare increase at all. Also, the FY19 figure includes anticipated ridership increases based on five months of Transit West data. In the graph, the figure with Fare Capping is the most difficult to predict. There also may be more grant funding for operating expenses to start.

Ridership in the general population decreases based on the percentage of the fare increase, but will temper over time and ridership will climb again. In 2010-2011 the increase was based on an 18-month recovery period.

With fare capping, those least able to pay, who pay the most now, will pay less in the long run.

We will not go to the public with a fare increase and no fare capping. Past improvements (wi-fi, new buses, expansion) will be the backdrop/justification for a fare increase. An increase to \$2.00 is 33%, though the percentage on a day pays is much lower to bring it back in line with other systems.

Glenn: we feel confident that under fare capping the potential for ridership growth is greater than it would be with just a fare increase and not offering anything new. We want to focus on the issue of equity with fare capping.

The Finance Committee recognized the desire for fare capping, but wants the Board to be aware that with these projections we may not hit the 25% goal previously set by the Board. The Board should be prepared, based on real data at the time we launch, that we will not meet the 25% goal. It will also be hard for next year's budget to project the revenue as phase 2 will roll out after the budget is in place and its effect is not known.

Glenn Fenton suggested the alternative of increasing the fare cap could help with fare revenue. Jim Violette pointed out that under our by-laws, any time a dollar value changes, a new round of public hearings must be held. Can this be re-modeled based on a 33-ride cap vs. a 30-ride cap and then do it all at once instead of beginning at 30 and going up to 33 next year. Under Title VI a change in the fare cap amount would probably be fine since it is raising the most expensive option rather than the least.

Only a handful of agencies have this program already; is it better to wait and let others shake out the issues first? Are we adopting too early?

Glenn said we are confident in our consultants who have laid out a plan to introduce the technology with a fare increase to \$1.75 (for those using smart phones to incentivize them using it), while still selling monthly passes, and charging \$2.00 for cash sales, and then bringing in the next increase when fare capping is launched. When making a fare increase is the time to make this move, making it a one-time start-up cost rather than paying for it again. We don't want to charge a card fee, but rather focus getting cards into people's hands and then look at the burn rate. The life of a smart card is generally five years and we want to incentivize keeping a card to customers hit the cap.

We will have to push for a decision by sister agencies before we put this program on the street. Our consultants are fairly confident on what the start-up costs will be and have given a range.

Discussion followed about possible alternative incentives for customers to use the app in phase 1, rather than getting a lower fare on every ride.

Final comments/suggestions/questions put forth by committee members:

Greg run a model at 33 to bring to the Board

Paul: Finance Committee is in favor of fare capping, but wants the Board to be aware on the incongruity between this and our stated goal (policy). Best case scenario shows the high point of the fare capped model in 2020 at \$2.669 million, barely increasing over 2019 projections.

Jim: Not comfortable with Paul's statement. He would like to see next year's revenue projections and know how much more of a fiscal impact will be put on participating communities. Westbrook took a big hit this year and he is not sure if they can take another (look into whether Rock Row will have TIF to fund expansion).

Mike: It is complicated to unveil new fare media and then a year later unveil new fare capping; do it all at once: invest in up-front costs now and leave revenue alone, and then launch it all in January 2020 for better budget structuring (helps prevent a loss in 2019); do it all at once in August; or do the fare increase in the fall (leaving fare media as it is now), and then do everything else in January 2020.

People are aware of/familiar with smart cards and app technology; fare capping that is the new piece.

Will we be able to tailor the program based on what is learned at the public hearings? What will actually be the turnout for the public meetings? Will 2019 expense back-up still be available in 2020?

The committee would like slide 20 updated with the real baseline budget for 2019 and 2020 before the Board meeting. Show a model starting in 2019 with a marker of its 25% line and then show where the line is for 25% in the 2020 budget. We have to cover the 2019 shortfalls before looking to 2020.

5. Future Agenda Items

6. Upcoming meetings.

- Executive Committee – March 13, 2019 at 4:30 p.m.
- Ridership Committee – March 21, 2019 at 4:00 p.m.
- Board of Directors – February 28, 2019 at 4:00 p.m.
- Finance Committee – March 6, 2019 at 4:00 p.m.

7. Adjournment

Motion made by Mike Foley to adjourn, **Second** by Jim Violette. **Unanimously approved by all present (Merrill Barter via telephone), the meeting adjourned at 5:14 p.m.**