

AMES, IOWA

November 30, 2016

The Ames Transit Agency Board of Trustees met on November 30, 2016 at 8:00 a.m. in CyRide's Conference room. President Haila called the meeting to order at 8:01 a.m. with Trustees Gartin, Madden, Schainker, Haila and Valentino present. Absent: Trustee Staudt. City of Ames staff present: City Attorney, Judy Parks.

Director Kyras indicated that a revised agenda had been distributed moving the order of the agenda items to allow for Trustee Staudt to be present for discussions on the budget, capital and fares. She indicated that he had informed CyRide staff that he would be able to arrive at approximately 9:00 am.

APPROVAL OF MINUTES: Trustee Madden made a motion to approve the October 26, 2016 and November 9, 2016 minutes as presented. Trustee Gartin seconded the motion. (Ayes: Five. Nays: None.) Motion carried.

MOTION TO HOLD CLOSED SESSION AS PROVIDED BY SECTION 21.5(1)(c) Iowa Code, to discuss matter in pending litigation: Trustee Gartin asked Judy Park, City of Ames Attorney, if the agenda item had a legal justification to continue into closed session and Judy Parks, City Attorney, responded that it did. Trustee Gartin, so moved. Trustee Madden seconded the motion. Vote on Motion: 5-0. Motion declared unanimous.

The meeting reconvened in Regular Session at 8:44 a.m.

Sr. Vice President of Iowa State University Kate Gregory joined the meeting at 8:45 a.m.

PUBLIC COMMENTS: Director Kyras shared a letter CyRide had received addressed to the Board of Trustees regarding a service request to Iowa State University's Applied Science Center (ASC). She provided a brief history of CyRide's discussions with staff at this ISU facility and that the letter had been provided to the System Redesign Consultant at the November public meetings. Ms. Gregory then explained to the transit board that she had recently scheduled a meeting with all interested parties to discuss this issue. Director Kyras explained the challenges of CyRide providing service to the ASC complex - rerouting of the Green route would require an additional bus to be added to the route, shuttles could be provided but would require more drivers and a bus.

Ms. Gregory shared further challenges of this issue with the parking concerns raised by the neighborhood to the east of the complex. Trustee Madden mentioned that this discussion had been going on for years and indicated that it also impacted city parking policies. Ms. Gregory further explained the history of transportation to the ASC complex - van then bus service provided by CIT, a private transit operator, paid for by the Engineering Dept. However, the College of Engineering believes that the cost should

not be borne by the Engineering college. Trustee Madden said that he believes it is a university budget issue.

President Haila asked how this request was different than a developer's request. He felt this issue should be referred to the System Redesign consultants for their direction on whether this request can be accommodated in future service changes, as CyRide's current budget/route structure would not accommodate the additional expense.

Trustee Madden shared his thoughts that the cost of service to this complex was a university budget issue and, therefore, the university would need to determine how to finance a service, if it was determined there was sufficient need.

Director Kyras shared with board members how CyRide had historically addressed requests of a similar nature, specifically citing when the two towers buildings were reopened and the Department of Residence began, and currently is, paying for service from this area.

The transit board directed Director Kyras to acknowledge the request and indicate that the Director would make sure that the System Redesign consultant was aware of and taking their request into consideration.

Ms. Gregory indicated that it would be beneficial for CyRide to establish a policy where it identified areas where it would and would not serve within the city so that the community could choose to do business or individuals live within these areas if transit was important or else pay to have service modified. Trustee Schainker indicated a desire to ultimately have a plan of this nature and is hoping that the System Redesign will help CyRide get to this type of planning.

Director Kyras said the challenge is that if CyRide does not provide service, then developments will find a way to meet the demand by providing their own transportation. This leaves a disconnected system that is duplicative in nature and creates challenging in meeting the needs of the community. She indicated that this is not a unique problem to Ames as other university communities struggle with this balance as well. Ms. Gregory shared her thoughts that a park & ride model might be worth looking into.

President Haila shared his concerns with the volume of CyRide's ridership and expectations that it continue to grow and meet all student needs. He believes that this expectation it is not sustainable.

Ms. Gregory indicated that a north and south hub could improve service and added that a possible location for one of these sites could be the Applied Science Center. President Haila asked whether two park & ride sites were part of the System Redesign Study's

scope of work. Director Kyras indicated that providing a sufficient level of service to two sites as opposed to the current one site would be more expensive to operate.

There was a general discussion regarding the current Commuter Lot at Iowa State Center and the Orange Route service. President Haila asked what the parking capacity is at the Iowa State Center and if the number of buses on the Orange Route could be increased. Director Kyras indicated that approximately 3,000 cars park at this facility on a daily basis and that there is additional parking capacity. She also indicated that the articulated buses on the Orange Route allow for additional rides on this route.

Trustee Valentino asked what the ridership number was on the Orange route when CyRide added the Plum route. Director Kyras indicated that she did not have those numbers in front of her, but she could share that ridership on the Orange route was steady to lower as opposed to growing as it had been prior to this route.

President Haila mentioned that this was a good discussion, but that it might be more appropriate for when the System Redesign consultant returned to Ames with their initial thoughts on CyRide service. Transit board members asked if the consultant was looking at a second site and asked Director Kyras to speak to the consultant regarding this concept.

Ms. Gregory shared that President Leath's enrollment target is between 38,000 and 40,000 students in the future and indicated that CyRide needed to determine what its system would need to look like with this enrollment. Trustee Schainker indicated that he believes that CyRide's focus should be broader on moving people within the whole community and to develop a 20-year strategy to accomplish this.

Trustee Staudt arrived at 9:11 a.m.

FUEL PURCHASE BIDS: Director Kyras provided a summary of the fuel purchase process and current bid for the next year. She indicated that staff proposed purchasing fuel at the market rate, but contracting for a single vendor to deliver the fuel, which allows CyRide to competitively bid its fuel purchases for an entire year as opposed to a bid every 7-10 days. She also indicated that the board would need to approve the maximum, not-to-exceed fuel price under this approach. She indicated that the lowest bid was from Keck Energy.

Trustee Madden made a motion to approve award to Keck Energy as the overall lowest bidder for CyRide fuel for calendar year 2017 and establish the maximum cost of its fuel purchases for the year of up to the budgeted amount of \$1,207,500. Motion seconded by Trustee Gartin. (Ayes: Six. Nays: None.)

Trustee Schainker shared that at current fuel prices, CyRide would create a large savings in this line item, but that next year's prices are unknown at this time.

All transit board members were in favor and motion carried.

TRANSIT DIRECTOR'S REPORT: Director Kyras briefly provided information on the following items:

- The Iowa DOT approved a portion of CyRide's JARC grant application for \$23,219 for Mid-Day South Duff and Brown Route Weeknight service. This will create a savings in the current budget.
- An update on the System Redesign study was provided - over 1,600 online surveys completed, meetings that have taken place and web-based meeting with the consultant at the January 2017 board meeting.
- Triennial review date is set for May 2017.
- An update on the Affordable Care Act (ACA) impact for offer of insurance to two groups of CyRide employees. First group only one of 14 accepted insurance and second group's enrollment will close on Dec. 2nd. She indicated that the attorney had submitted a draft policy document and that staff was reviewing this document.

RATE SETTING – FARES: Director Kyras indicated that the Transit Board typically took action on setting rates in April of each year for implementation in July; however, it was agreed by the board to address this issue at the time of budget discussions. Further, she indicated that the board had indicated an interest to look at the possibility of lowering fares in an effort to encourage more community, non-student ridership.

Director Kyras provided a six-year history of cash and ticket fare prices and revenue, which indicated a trend of declining revenues. She indicated that this was attributed to significantly lower gas prices making it more affordable to choose other transportation modes and in the inconvenience of the cash fares. She indicated that this inconvenience had lead to more customers choosing to pay with tickets as opposed to putting one dollar plus 25¢ in the farebox. She then shared the financial impact of "rolling back" fares to 2011 with a \$1 fare and \$10 for a book of tickets (\$0 to \$30,000, depending upon whether this change created more rides).

Trustee Gartin asked for clarification about the potential revenue loss range. Director Kyras indicated that the \$30,000 represented a loss with current ridership and the \$0 loss was if more riders used CyRide, creating more overall revenue. She indicated the 2011 fare structure was included in the board's packet, but would include a \$1 cash fare and \$10 for a book of 10 tickets as opposed to current fares of \$1.25 cash and \$12 for a book of tickets.

President Haila asked about the possibility of smart card technology to pay fares. Director Kyras indicated that staff had looked into the technology and found that to purchase the hardware/software for the number of buses CyRide currently has would cost approximately \$1.5 million for only 7% of its customers using this technology.

Trustee Madden shared his thoughts that CyRide's farebox revenue is insignificant compared to its total budget and would be interested in reducing the fare.

Trustee Schainker inquired about the percentage of riders that were non-students when CyRide experimented with the summer fare free project. Director Kyras indicated that she did not have that information in front of her, but that since most ISU students were not in Ames that year and ridership increased approximately 25% that she would believe that most of these riders were non-students.

A general discussion regarding how CyRide estimated student versus non-student ridership ensued, which is calculated by the total number of student rides, as determined by the number of "free rides" as students use their ISU pass as fare, divided by student enrollment. Typically every student generates approximately 170 annual rides.

Trustee Staudt made a motion to direct Director Kyras to defer action, Alternative #4, on setting rates for the 2017-2018 budget year until the January 2017 transit board meeting. Trustee Gartin seconded the motion. (Ayes: Six. Nays: None.) Motion carried.

RATE SETTING – PASSES: Trustee Schainker made a motion to approve Alternative #4 to defer action on setting rates for the 2017-2018 budget year until the January 2017 transit board meeting. Trustee Staudt seconded the motion. (Ayes: Six. Nays: None.) Motion carried.

2017-2018 OPERATING BUDGET: Director Kyras explained that the budget discussion with the board each year begins with a review of the current budget's status. She indicated that expenses are currently 7.2% lower than budgeted, mainly due to lower fuel prices. She indicated that if this trend continues throughout the entire year, that a half million dollar budget savings could be expected. She also indicated revenues were 1.2% lower, due mainly to lower farebox revenue and timing of revenue receipt.

DAR revenues and expenses were lower due to lower ridership and if this trend continues there could be a \$12,000 decrease in farebox revenue, with lower expenses as well.

Director Kyras then discussed the anticipated, unaudited closing balances of its three funds – operating, capital and student government trust fund. The operating balance is anticipated to increase to \$1,521,754 for the 2015-2016 budget year, an increase of 15.6%, resulting in approximately \$550,000 more than the desired 10% fund balance approved by the transit board. The 2016-2017 capital balance is anticipated to decrease to \$707,159 due to payments for the four articulated buses delivered in August 2016. The student government trust fund balance increased because of the \$102,485 unanticipated ICAAP funding received in the last fiscal year.

Director Kyras indicated that with all factors considered, CyRide was in a strong position going into the 2017-2018 budget year.

Director Kyras then began discussing the 2017-2018 preliminary budget prepared by staff indicating that this had been a challenging budget due to significant cost increases. She also indicated that there were opportunities to modify the budget assumptions based on board priorities. She then described the budget assumptions staff had included in the budget proposal.

- **Health insurance rate increase** - 4%, \$29,314 dollar increase.
- **Annualized health insurance adjustment** - trending higher, \$105,000 increase.
- **Affordable Care Act impact** - \$150,000 additional.
- **Overall increase in health insurance** - \$284,000.
- **ACA Variable Hour Administrative Assistance** - \$50,000, City of Ames employee or outside firm cost. Should have a clearer picture of this need/cost by January 2017 board meeting.

President Haila commented about the administrative assistance inquiring about what this entails and whether it required private sector staff. Director Kyras indicated that it would be tracking each employee as their work and work status might change throughout the year, so that CyRide stays in compliance with the ACA. President Haila indicated that once the draft policy document, prepared by Susan Freed, was completed, that the magnitude of the work to be completed would be better known. Director Kyras continued to explain the assumptions.

- **Payroll** - 3.1%, \$229,000 dollar increase. She indicated this included a 2.75% overall wage increase, \$5,000 impact due to reorganization of the Operations Division and reflecting two assistant mechanics, which were inadvertently not included in the current budget due to a staff transition error.
- **Fuel** - budgeted at \$2.75, decreased from \$3.00 in the current budget.
- **Federal/State funding** - federal reflects slight increase; state lower by \$20,000 to \$780,000.
- **Funds transferred to capital** - \$800,000 to pay for new buses under grants, facility repairs and equipment.
- **Unemployment claims** - \$10,000 to reflect more summer claims reflecting lower service levels.
- **Fares** – no change
- **NextBus** - added to the operating budget; was in capital budget and was overlooked during staff transition in current budget - \$83,000.

Trustee Gartin shared his thoughts about state budget challenges, with little to no increase, could impact CyRide. Director Kyras explained that state transit funding has a

dedicated source of funding from new car sales and car license revenue and is not generated from the general state fund.

Director Kyras then stated that the preliminary baseline 2017-2018 budget option #1 did not utilize the closing balance in excess of the board-approved 10% balance for the operating budget and as a result required a 12.5% local share increase. She then explained that the other two options were developed to try to reduce the increase by utilizing some, or all of these excess funds.

Trustee Gartin shared that he was not in favor of using the closing balance dollars to offset the next year's budget and believes that these dollars should be used to support capital costs.

There was a general discussion regarding decreasing operating versus capital expenditures with concerns about deferring capital and in being able to afford CyRide's operating costs. Suggestions were offered to lowering the capital transfer for one year from \$800,000 down to \$400,000 to reduce the impact on the operating budget. Director Kyras shared that staff would need to analyze this option as capital commitments had already been made in grants and that CyRide would need to honor these purchases.

Director Kyras shared the reasons for the larger local share increase - expenses were 6.7% higher and to keep a 10% closing balance on this higher expense would require \$110,000 more. She further shared that with federal and state revenues being flat, that the entire burden then falls on the local funding partners.

President Haila asked board members if they believe that a 12% increase was achievable. There was a general discussion that this was too high. Director Kyras shared that typically a baseline increase ranged from 2.5% to 3%, but the ACA impact had had a significant financial impact on CyRide's 2017-2018 budget - \$150,000 insurance increase, \$50,000 for administrative expenses. President Haila indicated that these increases reflected a one-time percentage increase to the budget and then would be included in the baseline for next year, which would not be included in the increase percentage the following year.

Trustee Schainker asked staff to determine the lowest local dollar amount that would need to be transferred from the operating to the capital budget, which reflected only the committed projects, in an effort to try to find a half million dollar savings. He indicated a capital transfer savings, as well as a lower fuel cost per gallon and not increasing the closing balance to 10% could significantly reduce the local funders increase.

Trustee Gartin was concerned about the budgeted cost per gallon of fuel at \$2.75, indicating a desire to be more realistic. Trustee Madden agreed and indicated that the

purpose of the closing balance was to address budget shortfalls due to unanticipated expenses like higher-than-budgeted fuel prices.

Trustee Gartin shared his thoughts that he is more comfortable in budgeting tightly as any savings is not shared back with the funders. Trustee Schainker indicated that CyRide does not spend the closing balance on non-CyRide related projects that the board does not approve.

Trustee Staudt was uncomfortable in decreasing the cost per gallon of fuel as CyRide has to budget 6 - 18 months in advance. Further, he indicated that fuel prices can quickly increase leaving CyRide to dip into its closing balance. He indicated he is not comfortable in budgeting with a likelihood that this could happen. ISU Senior Vice President Kate Gregory was also uncomfortable in lowering the price per gallon of fuel. Trustee Madden indicated that this is why the students have a trust fund and why the board has an operating reserve. Trustee Schainker shared that establishing this rate is always a risk.

There was a general discussion regarding the appropriate cost to budget for fuel - current average cost per gallon plus 30%, last year's rate, etc. Ms. Gregory shared her thoughts that fuel is the least predictive variable in a budget like CyRide's.

Trustee Valentino shared that he was comfortable in establishing a higher rate to make sure that the budget covered this expense. Trustee Gartin was comfortable in not budgeting conservatively.

Trustee Staudt shared that he believes it is irresponsible for a board to not make sure that a large expense like fuel was not adequately budgeted and that a reserve account would be used to balance the budget. He indicated that the unpredictability of this line item necessitates being conservative.

President Haila said that non-local revenue is falling short and asked where board members would recommend cutting the budget if the fuel line item was not adjusted. He asked Ms. Gregory if she was aware of what percentage increase the University would be comfortable with. Trustee Madden said last year the university was comfortable with a 5% increase due to CyRide's ridership growth over the last few years. Ms. Gregory indicated that she would need to have to have conversations at the university level to determine this.

Trustee Gartin shared his thoughts that CyRide needed to have a long-term strategy for how to price fuel in the budget. He proposed taking the previous year's average fuel price plus a 50% increase as a safety margin. This would calculate to \$2.25 per gallon in the 2017-2018 budget.

Trustee Gartin was concerned with transferring \$800,000 to the capital and then asking for a 12.5% increase in local dollars, indicating that he believed this would not be viewed as positive.

Trustee Madden said he could not support much above 5% from the university's perspective. Ms. Gregory indicated her concern to request a large local increase and then to cut service on the Gray route if the developer ends their contribution to this service. She indicated that this would not be well received.

Kate Gregory indicated that to find a half a million dollar savings, she would recommend looking at the lowest capital program possible next year, combined with a modest reduction in the fuel price per gallon, and not increasing the closing balance to 10%. She indicated a fuel price of no less than \$2.25 per gallon.

Trustee Staudt shared his thought that an 8% to 8.8% increase was the highest students would be able to increase their share. Ms. Gregory indicated that she would need to have further conversations with other university officials before she could offer a percentage increase for the university. There was a discussion of adding the capital and operating budget discussion to the December 22, 2016 agenda so that board members could seek further guidance on the level of local dollar increases that were achievable. Trustee Schainker indicated that he was uncomfortable in approving a budget without developing a two-year budget to make sure that the first year budget would not have a significant impact on the second year.

President Haila indicated that the large increase did not include the additional services the board desired to provide and then asked if it included the revenue from the developer for the Gray Route. Director Kyras said that it did as there had been a preliminary discussion with the previous owners this summer about continuing the service. She indicated that she was working on a meeting with the new owners to determine their desire to continue funding the Gray Route. Trustee Madden indicated that if CyRide needs to cut back service to Copper Beech as a result of a loss of private funding, that he was willing to accept that outcome. Ms. Gregory agreed.

The board then directed staff to use the following changes in the budget and to prepare a revised budget for the December 22, 2016 board meeting.

- Reducing capital purchases to committed projects
- Do not use the closing balance to support the 2017-2018 budget
- Price fuel at \$2.50 per gallon
- Do not increase the closing balance to 10%
- Remove the Gray route expenses and revenues from the budget

Board members indicated that if these reductions did not bring the local share increase down to 8%, to also identify potential service reduction options. The transit board

directed staff to develop a second scenario to provide a 5 to 5.5% local funding share increase.

FIVE YEAR CAPITAL IMPROVEMENT PLAN: The transit board deferred discussion on this item to the December 22, 2016 transit board meeting.

MOVE TO ADJOURN: Trustee Gartin made a motion to adjourn the meeting at 10:47 a.m. and Trustee Staudt seconded the motion. (Ayes: Six. Nays: None.) Motion carried.

FALL SEMESTER MEETING DATE AND TIME:

- December 22, 2016, 1:00 PM (special meeting)

SET SPRING SEMESTER MEETING DATES AND TIMES:

- January 19, 2017, 8:00 AM