

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
14	06/24/13	Open	Action	06/19/13

Subject: Delegating Authority to the General Manager/CEO to Approve an Agreement for Discount Purchase and Sale of Prepaid Media with The County of Sacramento, Department of Human Assistance

## ISSUE

Whether to delegate authority to the General Manager/CEO to approve a new 3-year agreement for a discount group pass program with the County of Sacramento Department of Human Assistance (DHA) for single fare tickets, daily and monthly passes for its General Assistance program participants.

## RECOMMENDED ACTION

Adopt Resolution No. 13-06\_\_\_\_, Delegating Authority to the General Manager/CEO to Approve an Agreement for Discount Purchase and Sale of Prepaid Fare Media with the County of Sacramento DHA

## FISCAL IMPACT

Budgeted:	Yes	This FY:	\$	1,991,200
Budget Source:	Operating	Next FY:	\$	
Funding Source:	Revenue	Annualized:	\$	1,991,200
Cost Cntr/GL Acct(s) or Capital Project #:	420918	Total Amount:	\$	5,973,600
Total Budget:	\$ 5,973,600 *			

\* Revenue of \$1,991,200 for each of the 3 years.

## DISCUSSION

### **Background:**

Since 1991, RT has provided Sacramento County DHA with transit passes at a discounted rate for general assistance recipients. Recipients are required to obtain an RT picture ID from the RT Customer Service Center and a monthly sticker, which is provided by DHA.

On July 26<sup>th</sup> 2010, the Board adopted Resolution No. 10-07-0088, approving an agreement with the County of Sacramento for a discount group pass program for DHA that ends on June 30<sup>th</sup> 2013. Under the 2010 agreement, DHA was required to purchase monthly minimums of: 6,373 Monthly Pass stickers at \$25.00 each, 1,000 Single Fare tickets at \$1.00 each, and 4,000 Daily Passes at \$2.50 each. DHA would have been required, under the approved agreement, to return

Approved:

Presented:

Final 06/19/13  
General Manager/CEO

Chief Financial Officer

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all the media on a monthly basis, with the understanding that returning all unused media would bring the discount more in line with the standard Board-approved volume Discount Policy percentage discounts. For example, assuming DHA purchases 6,373 Monthly Pass stickers for \$159,325 but only distributed 3,983 stickers, the per unit amount paid for the stickers would equal \$40 per monthly pass.

Soon after the agreement was approved and before it was executed, DHA staff requested a change to the terms whereby DHA would no longer be required to return unused media to RT. This request was based on DHA staff seeking ways to improve its efficiencies and reduce the additional labor required to return unused media back to RT. RT staff met with the appropriate DHA staff responsible for distributing RT media and concluded that the necessary internal controls and safeguards were in place for RT to allow DHA to store significant quantities of media. On September 27<sup>th</sup> 2010, by Resolution No. 10-09-0018, the Board repealed its prior approval and approved a new agreement that did not require DHA to return the unused media as long as DHA tracked the receipts and disbursements in a spreadsheet and provided a report to RT monthly.

**Current:**

In an effort to continue the relationship with DHA, staff has been working with DHA to craft a new 3-year agreement, with an understanding that there would be some additional changes to improve efficiencies and reduce inventory levels. During the negotiations, DHA staff reiterated that due to limited funding received for each GA client, DHA has an internal policy that only \$25 can be paid by a client for transit services from his or her monthly cash allotment. Although \$25 per pass is below the standard Board approved volume discount price of \$40 per pass, DHA has committed to purchasing a higher number of guaranteed passes, 6,454, per month, to compensate for the difference. Based on historical trends, it is expected that actual number of passes distributed to DHA’s clients will be fewer than the fixed number of passes DHA is required to purchase, which provides RT approximately \$40 per pass (actually used).

Under the Agreement expiring June 30, 2013, DHA was obligated to purchase minimum quantities of single fare tickets and daily passes. During negotiations, RT discovered that DHA has a large inventory of single ride tickets and daily passes that had not been disbursed. DHA had every intention of using this inventory, however during the year, there were staff reductions and program changes that reduced the distribution of both single ride and daily passes. Since these tickets and passes are still valid, DHA will not need to buy additional tickets and passes until the inventory levels are depleted. Consequently, the minimum purchase requirements for single fare tickets and daily passes will be eliminated from the new agreement. If DHA requests to buy additional single ride tickets or daily passes, DHA would be eligible to purchase the media at the standard Board-approved discounted rate of 50% off the full fare in effect at the time of purchase.

In the table below, staff has outlined the general terms of the new agreement. On June 4, 2013, the County Board of Supervisors approved a resolution requesting that RT enter into this new 3-year Agreement.

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A summary of the proposed terms is as follows:

Passes	# to be purchased	Annual Cost for DHA
\$25 per monthly pass	6,454 per month for a total of 77,448 annually	\$1,936,200
ID Cards at a cost of \$3.00	15,000	\$45,000
Sticker Printing Fee		\$10,000
Subtotal		\$1,991,200
Tickets	# to be purchased	Annual Cost for DHA
Single Fare \$1.25 per ticket	To be purchased as needed, no monthly minimum	\$1.25 per ticket purchased
Daily Passes \$3.00 per ticket	To be purchased as needed, no monthly minimum	\$3.00 per pass purchased
Subtotal		N/A depends on quantity purchased
<b>Total Fiscal Year Cost to DHA</b>		<b>\$1,991,200</b>

If the RT Board decides not to enter into a new agreement with DHA, RT could experience a total revenue loss of up to \$2.1 million over the following three fiscal years, beginning on July 1<sup>st</sup>, 2013. This estimate is based on the survey data provided by DHA, which indicates that approximately 1/3 of its clients do not use the passes mailed to them each month. If actually unused, these passes generate \$700K in revenue annually, which could amount to a revenue loss of \$2.1 million over 3 years if the survey is an accurate reflection of use of the DHA pass. This revenue loss would be in addition to any other deflection that would occur as a result of riders having to pay up to 4 times DHA's current discounted rate for their transportation needs.

While DHA has agreed in principle on the terms of the new agreement, DHA has not given final approval to the form of the new agreement. Consequently, staff is asking that the Board delegate authority to the General Manager/CEO to approve a new agreement consistent with the terms set out in this issue paper.

Staff recommends that the Board delegate authority to the General Manager/CEO to approve a new 3-year agreement with Sacramento County DHA. The new agreement would contain, just as the past agreement did, a provision for either party to terminate for convenience with 90 days' advance written notice. This will allow RT to revisit the terms of the Agreement if economic conditions change.

RESOLUTION NO. 13-06-\_\_\_\_\_

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

June 24, 2013

**DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO APPROVE AN AGREEMENT FOR DISCOUNT PURCHASE AND SALE OF PREPAID FARE MEDIA WITH THE COUNTY OF SACRAMENTO DHA**

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, authority is delegated to the General Manager/CEO to approve an Agreement for Discount Purchase and Sale of Prepaid Fare Media between the Sacramento Regional Transit District (RT) and the County of Sacramento (County), whereby COUNTY agrees to purchase specified minimum quantities of monthly passes for its General Assistance Recipients for 3 fiscal years (FY), beginning with FY2013-14, and RT agrees to sell such fare media at a discount exceeding the percentage established in the RT discount fare policy, and Single Fare Tickets and Daily Passes will be sold to the COUNTY as needed at a 50% discount, as allowed in the Discount Fare Policy set forth in Resolution No. 07-12-0158.

THAT, the General Manager is hereby authorized to approve and execute an agreement consistent with the terms set out above.

\_\_\_\_\_  
PATRICK HUME, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary