MINUTES
Financial Administration & Audit Committee

Tuesday, April 11, 2017
Rooms R, T, & D
5:30 PM
Conference Dial-in # 303-299-2663
Conference ID: 15120

Financial Administration and Audit Committee
Chaired by Natalie Menten

A. Call to Order
Committee Chair Menten called the meeting to order at 5:30 p.m.

<table>
<thead>
<tr>
<th>Attendee Name</th>
<th>Title</th>
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<tbody>
<tr>
<td>Lorraine Anderson</td>
<td>Director, District L</td>
<td>Present</td>
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<tr>
<td>Ernest Archuleta</td>
<td>Director, District C</td>
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<tr>
<td>Bob Broom</td>
<td>Director, District F</td>
<td>Present</td>
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<td>Barbara Deadwyler</td>
<td>Director, District B</td>
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<td>Claudia Folska</td>
<td>Director, District E</td>
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<td>Tina Francone</td>
<td>Director, District N</td>
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<td>Larry Hoy</td>
<td>Director, District J</td>
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<td>Judy Lubow</td>
<td>Director, District I</td>
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<td>Ken Mihalik</td>
<td>Committee Vice-Chair</td>
<td>Present</td>
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<td>Natalie Menten</td>
<td>Committee Chair</td>
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<td>Doug Tisdale</td>
<td>Director, District H</td>
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<td>Chuck Sisk</td>
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<td>Paul Solano</td>
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<td>Jeff Walker</td>
<td>Director, District D</td>
<td>Present</td>
<td>5:25 PM</td>
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Director Archuleta was absent. Director Folska participated via phone.

**Staff Present:** Bruce Abel, Tonya Anderson, Rolf Asphaug, Shirley Bennett, Steven Butcher, Gina Callahan, Carolyn Conover, Lou Cripps, John Elias, Sherry Ellebracht, Terry Emmons, Eric Farrington, Steve Gieske, David Genova, Dough Gragg, Lou, Ha, John Hersey, Ali Imansepahi, Ariane Le Roy, Adrian Mabry, Doug MacLeod, John McKay, Heather McKillop, John McKay, Barbara McManus, Mindy McNair, Ray McNamara, Mike Meader, Allen Miller, Ed Neuberg, Tai-Shrae Parish, Scott Reed, Jenifer Ross-Amato, Zamy Silva, Greg Smith, Lindsey Smith, Kevin Steele, Henry Stopplecamp, Greg Straight, Mark Tieman, Monika Treipl-Harnke, Enuma Udokwu, Bill Van Meter, Brian Welch

**Public Present:** Kent Bagley, Brian Gebhardt, William Gross, Diane Isler, Bill James, Brian Lewandowski, Tina McDonald, Robert McHown, Dan McKeehan, Keith Nobles, Kenta Okuyama, Dave Sachs, Roger Sherman, Susan Spray, Vivian Stovall, John Thompson, Krystin Trustman, Gary Van Dorn, Rich Wobbekind

**B. Recommended Actions**

- **2018 Performance Measures Adoption**
  It is recommended by the Financial Administration and Audit Committee that the Board of Directors adopts the attached 2018 Performance Measures for mission statement goals 1-7. In 2018, there are 41 proposed performance measures to be tracked for the GM, which is the same number as in 2017.

  **Motion:** Director Deadwyler made the motion to move this item to the full Board at the April 18, 2017 Board Meeting.

  Director Broom seconded the motion.

  **Discussion:** Heather McKillop, Chief Financial Officer and Assistant General Manager of Finance and Administration, presented the 2018 recommendations for agency performance measures. She spoke about several specific goals:
  - **Goal 2.1**, regarding prompt responses to graffiti complaints. She stated the recommendation was to raise the threshold to fewer than 3 complaints per month. She said that the current goal of fewer than 1.5 complaints per month was unreasonably low considering that the linear footage of
graffiti vulnerability has nearly doubled due to the addition of new rail corridors.

- **Goal 3.1**, regarding system-wide on-time performance. She said the recommendation was to lower the performance benchmarks for local on-time bus service from 88% to 86% and for regional service from 94% to 92%. She stated that the addition of GPS devices on the buses has enabled the collection of far more accurate data, with 18,000 points of electronic data collected daily compared with 240 trips observed on a daily basis previously. She said the data shows that local bus service on-time is between 83% and 86% currently. She said that, based on the last two years collection data, the current goal of 88% on-time service cannot be met.

- **6.2**, regarding ridership. She said the overall ridership goal would be established through the 2018 budget process.

Director Francone asked why the goal of 1.5 or fewer graffiti complaints per month is unreasonably low.

Henry Stopplecamp, Assistant General Manager of Capital Programs, said that the agency barely meets the 1.5 or fewer complaints per month benchmark currently and that RTD facilities and equipment are subject to several hundred graffiti hits per week. He said the 1.5 benchmark is very tight, especially in W Line corridor, and said more will occur along the I-225 corridor. He said the benchmark was set at 2 complaints or fewer in 2006.

Director Francone said that the doubling of the benchmark makes sense.

Mr. Stopplecamp noted that the staff has not doubled though the length of the corridors has.

Director Francone said Bus Operations had previously reported that an additional $2 million would be needed to meet the 86% on-time performance benchmark.

Ms. McKillop responded that even with an additional $2 million the current lack of drivers causes problems for on-time performance.

Bruce Abel, Assistant General Manager of Bus Operations, said that prior to the addition of automatic passenger counters (APC) to buses, service monitors and street supervisors would
be stationed on street corners, observing buses driving by, in order to gather on-time performance data. He said that the GPS-based APCs were added in 2011 and that those devices report where the buses are and at what time. He said that the manual counts, which only registered 200 to 300 data points per day, have been phased out and that measured on-time performance went from 89% to 83% when the switch was made to APC-generated data. He stated that the local service on-time performance did not actually drop by 6%, but rather the APCs presented a more realistic picture of actual performance. He said the question is whether an additional $2 million can help the agency reach the 86% local on-time performance target. He briefly discussed service planning and presented a scenario in which the agency would have to add an additional bus to a trip in order to maintain schedule consistency and rider expectations.

Director Francone said that certain service contractors have experienced higher levels of complaints than RTD itself. She asked whether there are sanctions in place for contractors that are not meeting performance goals or whether the underperformance of the contractors would be judged against General Manager Genova’s performance.

Mr. Abel said that the agency is working on the issue. He said in some cases the higher level reflects additional challenges on the labor front in terms of lost service from operator shortages, and in other cases the level is reflective of the routes operated by the contractor and may be affected by detours on a given route or a variety of other factors. He said the agency does have some potential penalties and incentives at its disposal but stated those have not taken effect because of a lack of volatility.

Director Francone asked whether sanctions have been issued, and Mr. Abel responded that some have been issued but noted the issues are not prevalent.

Director Tisdale, speaking to goal 2.1, noted that risk for graffiti has increased by 50% in terms of exposed walls, but that the recommended benchmark has been doubled. He asked whether there may be a middle number that would be suitable, because he felt the doubling of the current benchmark seemed disproportional compared to the increase of risk exposure.
Mr. Stopplecamp said that Director Tisdale hit a good point. He said the Eagle Project is being completed and additional Park-n-Rides and other facilities and structures that are subject to graffiti are being erected. He said that the benchmark could be set at 2 or whatever number the Board decides.

Director Tisdale said he wanted to make clear that he was not trying to micromanage but rather wanted to understand the rationale behind the benchmark increase.

Mr. Stopplecamp said he asked his staff to look at the number of graffiti incidents and present a reasonable goal. He said the benchmark has been the same since 2008 and that the agency has been meeting the goal. He said several hundred graffiti incidents occur each week that are never reported because RTD employees quickly take care of them.

Director Tisdale, speaking to goal 3.1 said, said that the reporting data quality improved by virtue of increasing the data collection points. He said he would be inclined to set the benchmark at whatever number staff proposed but stated that it is the Board who approves the schedules. Speaking to Mr. Abel’s planning scenario, he asked why the schedule could not be changed to ensure a 100% on-time performance.

Mr. Abel responded that, from a customer standpoint, frequency and convenience are two of the major drivers of ridership. He said that a bus timetable that establishes departure times at set points during the hour allows riders to remember their own bus schedules. He said buses are generally scheduled to depart at a certain time after every hour, but in the event that traffic increases during the run time of that bus, the agency is faced with one of two options: change to a one-hour, five-minute schedule or try to operate on time but not quite make it. He said customers appreciate regularity.

Director Tisdale asked whether the lowering of the on-time benchmark had been proposed previously and what the answer was at that time.

Mr. Abel said that the recommendation had been made three years earlier, when the agency first gathered meaningful data from the APCs. He said the Board initially approved the change but politically the change did not appear to be in the public interest.
Director Anderson stated there was a cost to meet the proposed 86% on-time benchmark. She said that, unless the Board agreed to pay for that level of service, it did not make sense to set the benchmark at that level.

Mr. Abel said that the estimate was calculated in 2016 and does incorporate economic adjustments required for staffing to meet that goal. He said that over the last several years during service change process the agency has focused on improving the poorly performing routes.

Director Lubow reiterated that performance has not changed but that the real level of performance is evident from the current data collection methods. She asked whether an 83% on-time performance is typical among other agencies.

Mr. Abel said that reviews among peer agencies in Los Angeles, Salt Lake City, San Diego, and Dallas show their average on-time performance was 81.9%.

Director Broom said that the Directors had received a letter from the Adams County Commissioners requesting an extra bus stop and asked whether the on-time performance of that route would be affected by adding the stop they requested.

Mr. Abel said he could not answer the question without looking at the Route 48 schedule. He said that currently the bus may take 40 minutes to make one circuit. He said the performance would not be impacted if the stop adds 5 minutes to the circuit. He said that, if the circuit were 55 minutes and the stop took an additional 7 minutes, the on-time and financial performance would be impacted.

Director Menten said the agency could find the $2 million needed to pay for the service improvement. She said she was disappointed that the standard had to be lowered but recognized that the data collection is more accurate than before. She said she would vote yes on the action but noted that meeting agency-established performance goals affects the General Manager’s performance payout.

Mr. Abel responded that the agency has not yet attained the 86% benchmark and is currently performing at 85.3%. He said that the benchmark was set at 86% in order to be realistic, measurable, and attainable.
Director Menten said that the $2 million could come from money that would otherwise be spent on development and said the agency spends money outside of its core goals.

Director Anderson pointed out that the performance measures under discussion are for 2018 and do not impact the 2017 goals for the General Manager.

RESULT: PASSED COMMITTEE [13 TO 1]
MOVER: Barbara Deadwyler, Director, District B
SECONDER: Bob Broom, Director, District F
NAYS: Tina Francone
ABSENT: Ernest Archuleta

• Award of Mobile Ticketing Contract
  It is recommended by the Financial Administration and Audit Committee that the Board of Directors authorize the General Manager or his designee to execute all documents necessary to award a contract for the new Mobile Ticketing System to Masabi LLC, in an amount not to exceed $1,450,000. This price includes the cost for period of performance of a base two-years and three one-year options.

  Motion: Director Tisdale made the motion to move this item to the full Board at the April 18, 2017 Board Meeting.

  Director Anderson seconded the motion.

  Discussion: Ms. McKillop said RTD has been working to provide mobile ticketing and has, selected a recommended vendor from the RFP process. She said the vendor will be providing second-tier support for mobile ticketing, the first tier being RTD Customer Care. She said that customers will be able to download a mobile application (app) in order to purchase passes. She said users of the app will have value stored on an account and will be able to purchase day passes that will be valid on the day of their purchase. She said that RTD will not responsible for the back end of the service and that the vendor will be PCI compliant, will handle users’ credit card numbers, and will track the value on the users’ accounts. She said the vendor will also develop and maintain the app. She stated that the first media offered via mobile ticketing will be day passes, with the option to add limited additional media later on if the first phase of the program goes well. She said the fixed implementation
costs for the program are $47,000, with an additional 2.25% per transaction in the first year, 2% in the second year, and lower transaction costs in subsequent years. She estimated payment processing fees of approximately $120,000 per year, which would be borne by RTD rather than passing the costs to the customer. She stated the recommended vendor, Masabi, has been in existence since 2001 and in 2012 deployed the app used by transit agencies in New Orleans, Boston, New York, and Las Vegas. She stated that is has come to RTD’s attention that Masabi and one of the other vendors involved in the RFP process have become involved in patent litigation but said that she felt comfortable at this point that RTD would be protected from the litigation by way of the contracting process.

Director Menten asked for the name of the other vendor involved in the litigation.

Rolf Asphaug, General Counsel, said that the litigation is between Bytemark and Masabi, which are two of the top half-dozen companies engaged in mobile ticketing.

Director Anderson said that she supports the program and has spoken with managers of other agencies who have seen increases in ridership, particularly among younger patrons, upon the rollout of similar programs. She said she looks forward to the increased ridership.

Director Broom asked whether there are other offsets from the program aside from the additional ridership.

Ms. McKillop said that it is unclear what impact the program will have on current sales of paper tickets and that she anticipates an increase in day pass sales.

Director Broom asked how the app would compete with the Smart Card.

Ms. McKillop said that, since the My Ride card has not been implemented, there is no in-house competition. She said that staff sees the service as an enhancement.

Director Williams asked if mobile ticketing would allow someone to buy a ticket once the person has already boarded the train or bus.
Ms. McKillop said that technologies exist that would prevent patrons from purchasing tickets after they have boarded the train.

Tonya Anderson, Manager of Electronic Fare Operations, said that under the mobile ticketing program passengers could technically purchase a ticket after boarding and that nothing on the train or in the app that would prevent that. She said she anticipated some problems and challenges with that capability but noted that, for riders found aboard trains without tickets, fare enforcement agents could force those riders to buy fare media at that time or face citations. She said RTD is implementing technology to show when a person purchases a mobile ticket.

Director Tisdale said that he supports the program and wanted to express his confidence in RTD legal staff’s ability to draft language in the contract to protect agency from the ongoing litigation.

Director Lubow asked whether RTD’s potential involvement in the litigation would be a practical mess, even if the drafting of the contract language were perfect.

Mr. Asphaug said that there have been internal discussions on how to proceed and whether to postpone in instances such as this. He said that vendors can be sued by patent trolls and that those people are more likely to sue end users than legitimate litigants in a dispute. He said the two vendors involved in the litigation are among the top providers of services in their industry and that it is unlikely that they would seek remedies against the end-user. He said vendors would shoot themselves in the foot by attacking potential clients. He said parties usually come to an agreement but offered no guarantees that would happen in this case, which is why protective contract language would need to be put in place. He said another factor in determining whether to proceed was that that the initial cash outlay for the program is only $47,000. He said he felt it would be appropriate for the Board to proceed and noted that Masabi has implemented similar services in other large cities.

Director Lubow asked Mr. Asphaug if he could envision the litigation causing difficulties for RTD.

Mr. Asphaug indicated that an injunction against Masabi could bar RTD from implementing the program, in which case the
agency would have to wait until the lawsuit is settled before proceeding.

Director Lubow asked whether such a scenario was taken into account, and Mr. Asphaug confirmed that it had.

Director Lubow asked how mobile ticketing would interact with Smart Cards.

Ms. McKillop said the two programs are entirely separate. She noted that the other option for the mobile ticketing program would be to do nothing but stated RTD had no intention of awarding to the bid second vendor or any of the other vendors. She said that waiting for the litigation to conclude could take years.

Director Sisk said that the program is exciting and has experienced similar programs in other cities. He said he understands the impact of the potential for litigation but said that the program would never happen if the agency is afraid of litigation. He said he would like to see more background information about Masabi.

Director Menten said that an internet search shows that the Masabi looks like a young company but was founded in 2001 and that their mobile app was released in 2012.

Ms. McKillop noted that the company had implemented ticketing solutions prior 2012.

Director Francone noted that Ms. McKillop stated Masabi would be second-tier support for customer questions and issues. She asked whether RTD Customer Care would provide first-tier service and asked how the program would impact their operations.

Tonya Anderson said she did not know how the mobile ticketing phone menu would work but stated that RTD would be the first point of contact for service and questions. She said that Customer Care’s call volume would increase but noted that a training program would be implemented. She was unsure how many additional phone calls the program would generate.

Director Francone asked whether the implementation cost for the program would cover additional types of fare media that will be sold under the program in addition to day passes.
Ms. McKillop said that the rollout of a limited number of additional services would cost $300,000 and that the agency would have to be particular about which services would be added under the current recommended pricing.

Director Solano said he supported the idea and asked whether the program would push the agency any closer to offering customer wi-fi service on buses and trains.

Ms. McKillop stated the mobile ticketing program did not include wi-fi service.

Director Solano said that he understood but asked, if the program becomes successful, whether it would be important to add wi-fi service to allow patrons to purchase tickets using the mobile app.

Ms. McKillop said that not many people used wi-fi during a limited test program and instead relied on their own cellular data. She said that wi-fi would be a good topic for a presentation and would bring more information back to the Board.

Director Deadwyler said she likes the program and thinks that constituents would love it. She asked whether RTD is stuck with Masabi as a vendor.

Ms. McKillop said that six vendors were reviewed during the RFP process and that two were shortlisted. She said that Masabi was best vendor from a technical and financial standpoint, which is why the company had been recommended to the Board. She said that from a litigation standpoint it would make no sense to go to the second vendor, which is also involved in the suit, and that the other RFP respondees were judged not capable.

Director Deadwyler said that RTD was involved as a third party in litigation some years prior and that she would hate to see the mobile ticketing service stop as a result of the legal outcome.

Ms. McKillop said that she did not see the patent litigation as being a risk to RTD and recalled that the litigation Director Deadwyler referred to was in relation to a bankruptcy.
Director Deadwyler asked whether a local company could provide the mobile ticketing service and asked where the vendors were located.

Ms. McKillop said that both Masabi and Bytemark are based in England.

General Manager Genova said that technology changes rapidly and that the beauty of the current project proposal is its low implementation cost. He said that, even if RTD could not use Masabi’s product in a year, he anticipated another vendor would come into the market by that point. He said the question of whether RTD will be implementing mobile ticketing is the question he receives most.

Director Walker concurred that he is most frequently asked the same question and asked whether other agencies that have implemented mobile ticketing have experienced a reduction in the amount of paper transactions.

Tonya Anderson said that question of reduced paper transactions did not come up in talks with other agencies but noted that the other agencies experienced an increase in ridership and a shift in purchasing.

Director Folska said that a mobile app is something the agency has envisioned happening but stated that, for the reason General Manager Genova stated regarding other vendors coming into the market, it may be best to wait and see. She said that, because the Smart Card program is not yet stable, she would feel more comfortable waiting to implement the mobile ticketing program until after other pieces of RTD’s technology are firmly grounded. She said she is troubled that Masabi is based in England because the agency will need to rely on the company for troubleshooting. She said the agency has spent a lot of money installing ticketing machines on buses and validators for trains. She stated that her constituents have not contacted her about a mobile ticketing app, though she said she is in support of the concept. She offered that RTD could sponsor a $25,000 contest to allow local vendors to compete to provide a mobile ticketing app for the agency to use.

Director Tisdale stated that the reason Uber and Lyft are so widely used is they are so easy to use.
Chair Hoy said he is concerned with fraud and envisioned passengers waiting to see fare enforcement officers before purchasing fares. He said he would be more comfortable knowing that someone could not purchase a mobile ticket once the person’s train is moving.

Ms. McKillop said that Portland, Oregon’s transit agency uses technology to prevent riders from purchasing tickets after a train has started moving but noted that such technology is extremely expensive. She said that Portland’s technology is part of their fare enforcement. She noted that patrons must purchase a ticket prior to boarding a bus. She said that the agency’s perspective is that a person found to have boarded a train without a ticket would at least be paying when before they would not have paid. She noted that citation revenue does not flow back to RTD. As for fraud prevention, she noted the mobile ticketing app will have security features and that one of the reasons Masabi was chosen is that the company offers an enforcement vehicle app for iPhones, which RTD fare enforcement officers currently use. She said that RTD could stop ticket purchasing once a train is in movement if the agency is willing to pay enough for the technology.

Chair Hoy asked why the 2.25% transaction fee should not be collected from customers. He said that the agency currently charges users a nominal fee for mobile parking.

Ms. McKillop said that the transaction fees could be collected from customers but said that the thought process behind the decision not to charge customers was to encourage people to use the app.

Chair Hoy said the app could be deployed initially with the fee being charged to customers and said the fee could be absorbed by RTD if people are not using the app.

Director Francone said that she loves the idea of mobile ticketing and has faith in the legal department to draft appropriate language to protect RTD. However, she said that the prospect of litigation was her sticking point. She said she would like to discuss the matter with the legal department and Ms. McKillop and that she would be a no vote that evening.

Director Williams said that people do not choose to avoid all risk. She stated that she has missed a train by purchasing a ticket at a kiosk and said she would love to be able to purchase
a ticket after boarding the train. She noted that children would be able to use a mobile ticketing app without having to carry money because their parents’ credit cards could be tied to their accounts.

RESULT: PASSED COMMITTEE [12 TO 2]
MOVER: Doug Tisdale, Director, District H
SECONDER: Lorraine Anderson, Director, District L
AYES: Anderson, Broom, Deadwyler, Hoy, Lubow, Mihalik, Menten, Tisdale, Sisk, Solano, Walker, Williams
NAYS: Claudia Folska, Tina Francone
ABSENT: Ernest Archuleta

• Approval to Enter into Agreements to Contribute Funding to the Colorado Department of Transportation for the Mobility Choice Blueprint Technical Consultant(s)

It is recommended by the Financial Administration and Audit Committee that the Board of Directors authorize the General Manager, or his designee, to enter into any and all agreements required to provide $400,000 in Regional Transportation District funding in support of the Mobility Choice Blueprint Study. RTD’s funds are to be used for the technical consultant(s) selected to conduct the Study, in partnership with the Colorado Department of Transportation (CDOT) and the Denver Regional Council of Governments (DRCOG), as articulated in this Board report.

Motion: Director Sisk made the motion to move this item to the full Board at the April 18, 2017 Board Meeting.

Director Anderson seconded the motion.

Discussion: Bill Van Meter, Assistant General Manager of Planning, accompanied by Brian Welch, Senior Manager of Planning Technical Services, said that the Mobility Choice Blueprint had been discussed in March and that he would answer any questions the Board may have.

Chair Hoy said that, with a yes vote on the Mobility Choice Blueprint, RTD has an opportunity for community commitment. He stated that it is rare to see commitment among government. He asked how transportation, technology, and first last mile solutions will impact the agency in the future. He said RTD has an opportunity to move the action forward.

Director Solano said that he initially voted no but likes the changes that have been made to the proposal. He said it is
unclear whether federal funds will be invested in transit and that the agency must look to future because the presidential administration can change. He said that a yes vote would yield a better future.

Director Williams stated the first/last miles lead to RTD and that the agency is the heart and backbone in the transit system. She stated that any plan that involves first/last mile involves RTD.

Director Francone said she spent hours researching the proposal and thanked those who spent time speaking with her. She said she voted no in September and remains a firm no because the study lacks transparency. She said she had objection to the substance of the study but stated the entire process was developed in secret and continues to be in secret. She said the study was not subject to sunshine law or financial transparency. She said the study is predisposed to leave out car drivers and that it is that this is probably illegal because of the use of public funds to promote a ballot initiative. She said that one of functions of the study is to promote 2018 ballot initiative and that the organizers did not disclose that fact, though conversations show that an initiative might still be on the agenda.

Director Walker said that he would be supporting the study and that the end users are RTD’s constituencies. He said that RTD owes it to its customers to innovate, because it is in everyone’s interest to improve mobility choices in the District.

Director Lubow said she has spent weeks studying the proposal and said that it is a wonderful, necessary idea for the three agencies whose responsibilities are to address transportation to discuss the impact of new technologies. She said that RTD must have this discussion but noted that she has too many questions to vote yes. She said she would be a reluctant no vote because she is not satisfied that the Mobility Choice Blueprint is the right vehicle. She said she was unsure whether the pilot projects identified in the study would conflict with RTD’s commitment to complete the unfinished corridors and would not commit to any proposal that would do so. She said the Mobility Choice Board also concerned her, in that she did not know what purpose they or the executive director would serve. She said these issues addressed by the study are not going away and that RTD would need to tackle them. She urged RTD staff to review the 20 prior studies conducted on
the same issues. She said that, if the study is approved, a task force could be formed to report back to the RTD Board on the study’s findings.

Director Anderson said that certain members of the RTD Board have been studying transportation issues for years and specifically named Directors Tisdale, Sisk, and Broom. She said a former Mayor of Longmont, Leona Stoecker, was the lead on transportation planning for the entire metropolitan region. She stated that the input of private industry is needed in the study because private companies provide jobs and social welfare. She said that she served on the Jefferson County transportation planning body for 30 years and on the board of Northwest parkway and Jefferson County parkway. She said that not everyone will be able to drive their own vehicle in the future and that RTD needs a seat at the table to verify that everyone involved is getting a fair shake. She said impacts to transportation will happen sooner rather than later.

Director Tisdale said he likes the idea of being at the table and supports the study. He also agreed with Director Francone’s comments on transparency but did not see the issue of transparency as being enough to stop RTD’s participation. He echoed Director Anderson’s comments that RTD should trust but verify in order to address transparency. He stated that a new superstructure is being created and there is a question of how large the structure should be. He questioned whether the Mobility Choice Board would need 21 members or whether the study would need an executive director or just a talented staff person. He advised the Board that RTD is a mass transit system and stated the agency is not obligated to look at first/last mile solutions but should anyway in order to create a cooperative solution. He urged the Board not to let the perfect be the enemy of the good and stated the Mobility Choice Blueprint is a good solution. He stated he would a reluctant yes vote because of the known issues with the study but said he was confident those issues would be addressed.

Director Menten said that RTD has a lot of available resources that are already in place such as the Citizens Advisory Committee. She said she does not want RTD to rush to be the first to experiment. She stated that Director Lubow made an excellent point in questioning the urgency of the study. She said she believed the end goal of the study is a tax increase. She stated that the Denver Metro Chamber of Commerce (DMCC) receives a substantial amount of public taxpayer
money paid in dues from the State of Colorado, RTD, and other
government bodies and that all taxpayers are therefore
shareholders in DMCC and should have a vote on how much
they are paying an executive director. She said that CDOT and
DRCOG put RTD in its current position with respect to the
study.

RESULT: PASSED COMMITTEE [8 TO 6]
MOVER: Chuck Sisk, Director, District O
SECONDER: Lorraine Anderson, Director, District L
AYES: Anderson, Broom, Hoy, Tisdale, Sisk, Solano, Walker, Williams
NAYS: Deadwyler, Folska, Francone, Lubow, Mihalik, Menten
ABSENT: Ernest Archuleta

C. Updates

• Sales and Use Tax Forecast

Doug McLeod, Controller, introduced Dr. Robert McNown, Dr. Richard
Wobbekind, and Brian Lewandowski, economists from the University of
Colorado Leeds School of Business (CU Leeds). Mr. McLeod said that CU
Leeds presents budget forecasts to the Board in April and October every
year. He said the October study is used for the annual budget and the April
forecast is used for the amended budget.

Dr. McNown said that the economy has reached full capacity and that any
further growth would be driven by supply-side factors. He stated the labor
market does not have much slack at national level and even less in Colorado.
He said that gross domestic product is showing a 2 to 2.2% growth rate
when adjusting for inflation, which he said tracks with the rate over the past
decade. He said that, at the national level, a lack of labor force participation
would suppress overall output and income. He said that the state economy
has grown more rapidly than national economy and expected that trend to
continue because of the state’s net migration of workers. He said that the
increase in available workers would allow a slightly higher rate of growth for
Colorado than for the nation. He said that Colorado is not in top tier in terms
of overall employment growth among states but is in the second tier. He
stated that the most recent recession has passed and predicted slow and
steady growth into the foreseeable future. He noted that households are in
sounder condition in terms of balance sheets but face challenges such as
high housing costs, uncertainties in terms of fiscal and monetary policy at
national level, and energy prices. He said those factors have both positive
and negative effects on state economy.

Dr. McNown said that employment is major driver in national short-term and
medium-term forecasts, personal income is a key driver in Colorado
forecasts, and retail sales and taxable sales are important for both national
and state projections. He stated that the long-term model is driven by population projections. He spoke about forecast uncertainty and the factors that contribute to that uncertainty. He suggested that a consensus forecast utilizing an averaging of available models would present an accurate depiction of what to expect in coming years. He noted that the revenue forecasts showed a growth rate 4.1% last year, and he projected a rate of 4.0% for the current year. He spoke about the reliability of past CU Leeds forecasts and noted the gap between optimistic and pessimistic forecasts is only about 4%. He noted that forecasts predicting long-term growth depict a flattening of the revenue income curve toward 2040. He compared the CU Leeds forecasts to those used by other organizations in the state performing similar projections and noted that forecasts put out by the Colorado Legislative Council and the Governor’s Office of State Planning and Budgeting (OSPB) are more optimistic. He said he is glad to see that CU Leeds is more conservative in its estimates and noted that the organization’s forecasts are model-based rather than human-interpreted projections.

Director Williams asked Dr. McNown to give an average of the CU Leeds forecasting errors.

Dr. McNown estimated the average error would be 2 to 2.5% and stated that most forecasts under the model previously used were too high.

Director Williams said that an aging population may be slowing down the economy but pointed out that older people are more likely to use transportation.

Director Lubow said that the recent recession has technically passed. She stated that there has been a significant redistribution of wealth and that many people work multiple jobs and asked whether those factors were taken into account in the forecast.

Dr. McNown said that the wages and incomes of workers, which figure prominently in retail sales and tax revenues, are incorporated in the model. He said that even if employment grows by 2% in the coming year and wages grow by slightly more than that, the forecast directly takes that into account. He said that a tightening labor market creates upward pressure on wages, thereby increasing retail sales.

Director Lubow asked whether the consensus forecast that CU Leeds will be using in future forecasts has historically been more accurate.

Dr. McNown explained that the consensus study is composed of projections from ten or more government agencies, such as the Congressional Budget Office, the Office of Budget and Management, and the Department of Commerce, and that each agency has its own forecasting methodology.
Dr. Wobbekind said that consensus forecasts have been closer and that the Moody’s forecast CU Leeds used previously has consistently come in too high, which is why they will be switching to a forecast with a larger sample size.

Director Lubow noted that even a small over-forecast can cause big trouble. She said it is important for forecasts to be as accurate as possible or slightly below.

Dr. McNown said that CU Leeds wants to provide the best estimate and does not tilt results one way or the other. He said there is solid academic research to shows that averaging forecast uses different information that provides better results, which he attributed to the wisdom of expert crowds.

Dr. Wobbekind suggested that the Board consider budgeting toward the bottom end of the projections rather than the middle.

Director Mihalik said that the Board had just discussed disruptive technology as it relates to RTD customers. He noted that the forecasts did not reflect job automation technologies that would make office and blue collar jobs redundant in the future.

Dr. McNown said that depressed wage growth has been attributed to globalization and to automation. He said the automations Director Mihalik spoke of are just a continuation of that trend and are captured by the analysis.

Director Mihalik also stated that that real estate is in the largest bubble in history.

Dr. McNown said that it is unrealistic for projections to accurately predict future recessions but noted that forecasts CU Leeds has provided to staff do anticipate the possibility of a recession. He offered that, to extent that CU Leeds forecasts are conservative, their forecasting does perhaps account for declines experienced during a recession.

Director Broom said the last major change to federal tax laws took place in 1986 and asked how changes in tax laws impact economic forecasts.

Dr. McNown said he has not reviewed the impact of the tax reforms in 1986 because doing so is a politically laden analysis. He said that some economists found that the economy boomed as a result of the changes while others said that the results were from normal growth. He said his own opinion was that, in terms of real economy, changes to tax laws would not make a difference, because the future is dictated by demographics already in
place. He said that real economic growth is limited by the number of workers, and if no miraculous growth of productivity takes place, no change in fiscal policy will make a difference. He noted that government fiscal policy changes would drive changes in inflation.

Director Menten agreed that the recession is nearing its end but stated there are indicators that show big challenges ahead. She said it would be a good idea to be pessimistic in forecasting and asked whether a government could be too conservative in its forecasting.

Dr. McNown said that an organization such as RTD is in the business of providing services to the public. He said that a forecast that is too conservative would cause RTD to spend too little money to provide adequate services to its clients.

• Review of 2018-2023 SBP Development Process and 2018 Budget Assumptions

Ms. McKillop said that the purpose of the Strategic Business Plan (SBP) is to provide overall guidance for RTD. She said that the SBP aligns with the agency’s strategic goals and incorporates performance goal, sets target fund balances. She said that the SBP and Annual Program Evaluation (APE) are both six-year plans now and that both will be incorporated in one long-range plan going forward. She said the development process is such that projects that are approved go into the SBP. She said as new projects are brought in they are then prioritized through an evaluation against the mission statement and strategic goals and are analyzed against operating cost forecasts.

Ms. McKillop spoke about the elements considered in the SBP for 2018-2023, including bus and rail service, the state of good repair of operating and passenger facilities, capital elements, and the fleet plan. She said that the age of RTD facilities was discussed at the joint strategic planning session held in March 2017. She said that RTD uses two forecasts for revenue assumptions, one in March that is used for SBP and long-range planning and the other in the fall that is used for the annual budget. She said the baseline forecast for 2016 should look familiar: 4.1% was the actual growth from 2016, and 2017 growth is projected at 4.0%, which tracks closely to realized year-to-date figures. She said both forecasts are below-trend forecasts. She stated that the baseline forecast scenarios assume that the Federal Reserve will increase short term rates, the dollar will remain strong, deficit spending will increase, and oil prices will slowly rise. She said that staff would recommend to the Board that the set
the growth forecast at 4.0% rather than a lower forecast, because CU Leeds has recently changed to a more conservative forecast model. She stated that forecasts do not typically build in recession assumptions but noted that her department looked at a model that factors in a slight recession in 2018 or 2019. She said a recession is historically due, because they typically occur every seven to ten years. She noted that a projected or realized recession could have a dramatic effect on project selection.

Chair Hoy asked what the CU Leeds forecast would have shown if the school had not changed their forecasting model.

Ms. McKillop said she did not have that number but noted that the September forecast produced under the previous model showed much higher growth than was actually experienced.

Director Sisk noted, with upcoming collective bargaining agreement (CBA) negotiations, staff needs to have those models in place. He said the CBA is what drives the train and the bus. He said the Board just heard from Dr. McNown that employees are going to be less employed. He said he is very concerned with creating an SBP with numbers that may not be realistic with CBA renegotiations.

Director Menten said she was in favor of the lowest, most conservative forecast possible.

• Non-Profit Program Update

Ms. McKillop said that changes were made in 2016 to the non-profit program, which has been in place for 25 years. She said the program is designed to allow nonprofits that are able to do means testing to receive a 50% discount on the face value of fare media, which they can pass on to the people they serve in the community. She said the nonprofits are able to either sell or give away the media to qualified constituents. She noted that the amount available to the program was increased by $1 million in 2016 to a total of $6.8 million. She said constraints were put in place to monitor the total value of media sold so that the program would not exceed the budgeted amount. She said RTD anticipated increased interest in program, because changes to the program were made in order to streamline the administrative paperwork and tracking requirements.
Ms. McKillop said the agency was able to manage the program under existing resources through November, but in December the program experienced a large spike in participation. She said the fare media issued under the program was tracked manually via a spreadsheet, which is why the program ran $700,000 over budget in December. She said that her department was able to compensate for the overrun from last year but noted that staff has made her aware that new program participants are placing very large orders for fare media. She projected that the program would run out of money in just a few months if the purchasing trend continued, which is why she had approached the Executive Committee to put stopgap measures in place. She reported that the Executive Committee agreed that new program applicants would be waitlisted and that existing participants would be limited to the amount of fare media they purchased in the same month the prior year. For participants who had joined within the last few months, she said those organizations would be able to purchase the average number of tickets they had purchased in recent months. She said that the Board had several options for the program:

- To fund the program at the $6.8 million level. She indicated that funding at this level would mean a reduction in the amount of fare media available to participants.

- To increase the program by $730,000, which would allow participants to purchase the same amount they purchased last year;

- To increase the program by another $1 million, which would allow current participants to purchase more but close the program to new participants.

She noted that the value of the fare media is not money the agency is losing but rather revenue the agency is not collecting. She said she sought input from the Board, and eventually a recommended action, because the outcome of their decision affects how the amended 2017 budget will be structured.

Scott Reed, Assistant General Manager of Communications, said that RTD anticipated a 10% increase in program participation because of the change in the accounting process. He said the program previously employed a two-tier application process with onerous accounting requirements. He said the changes in the program were not marketed, but rather social service agencies and umbrella agencies for the counties let their members know about the changes. He said Director Deadwyler attributed the increase to unmet need. He said Director Tisdale asked how the overrun came about, and Mr. Reed explained that, because the accounting for sales of fare media under the program was a manual process, it took a while to realize when the sudden increase occurred at the end of the year.
Ms. McKillop noted that program participants do not always continue to place orders for fare media and suggested that those groups could be temporarily moved out of the program to make way for new participants.

Director Williams asked whether the program had been discussed with the pass program working group. She also asked how many passes were issued under the program and at what cost, and she inquired why the group from Denver that is asking for 10,000 passes has not been added to the program. She asked to see a list of program participants.

Ms. McKillop stated that many of the new participants are individual schools. She said that Denver Public Schools (DPS) participates. She stated the non-profit program is not a part of the pass program as a whole and said that the outcome of the pass working group could affect non-profit program. She said the reason the non-profit program was not offered to everyone is that the agency we would go bankrupt and stated that Denver alone would exceed the established limit of available media. She indicated that some of the school districts were the reason the program overshot the amount of available media.

Director Williams asked whether the increased cost of adding routes and drivers as a result of the increased fare media was contemplated.

Ms. McKillop said that the cost had not been calculated and that there was not enough data to know who receives the media.

General Manager Genova said he was waiting on demographic information from Denver before factoring similar costs into the My Denver pass.

Director Walker asked whether the issue is an accounting problem or a cash flow value problem.

Mr. Reed said that the issue is the revenue impact to RTD.

Director Walker suggested the use of a block-grant program, where participants would submit requests for media in advance for the following year.
Mr. Reed noted that the program funds had never before been exhausted. He said staff is performing triage on the program and trying to establish ways to control the process. He stated that the controls that may be put in place could lead to more onerous accounting methods that will slow down the distribution of fare media.

Director Walker asked if it would be possible to produce a smart card that would allow program participants to fill the cards as one would an expense account.

Mr. Reed said that would eventually be possible.

Director Anderson said she would like to see the program receive maximum funding but noted that RTD is a transit agency and not a social services agency and said RTD has been taken advantage of. She said she needed more information on the program’s impact on revenues and the agency’s ability to provide safe service before deciding how she would vote.

Chair Hoy said that the non-profits making large purchases have no skin in the game, because they can purchase and resell fare media at the same price. He suggested that non-profits be limited to reselling tickets at 25% of face value, otherwise the program could sell out quickly. He mentioned that certain organizations receive an additional 50% discount and can purchase tickets at a quarter of the face value. He also suggested auditing program participants and establishing a purchase limit. He said accounting staff should be updating the tracking spreadsheet numbers daily to watch the total number of tickets sold.

Director Tisdale said that he supports nonprofits but noted the money for the program is public money. He said RTD is losing money by not receiving the value for a ticket and noted that Directors took an oath to guard public money. He said that a ticket given under the program is a gift of public funds, not a right, and that no one is entitled to receive the tickets. He agreed with Director Williams that the non-profit program should be part of the pass program agenda. He reiterated that no one is interested in stopping the program but rather are interested on pausing until the program can be examined.

Director Lubow said that there exists a lot of unmet need and that she finds it appropriate for a transit agency to provide access to disadvantaged people. She asked whether the process could be automated.
Ms. McKillop said that automation is not possible presently but that her department is working on it. She mentioned that the pass program is not a part of the agency’s regular programs or processes.

Director Lubow said she is concerned with possibility of fraud.

Director Francone said that any additional spending should be stopped until the program can be made equitable. She said that the program would need to be stopped for the year if it were to run out of money even in the next month. She said that Directors Tisdale and Walker offered good ideas and that she was sure Ms. McKillop would create controls for the program.

Director Broom asked what portion of the ridership is represented by the non-profit program, and General Manager Genova said that figure would be reported by the next week.

Director Walker said there should not be a question of who is worthy to ride transit and who is not and stated everyone deserves to be able to ride. He said the question at hand is how much the agency can provide with the money that has been allocated.

Director Menten said that she did agree to the additional $1 million because the Board was told that non-profits were being neglected. She stated that she does not want the non-profit program to be part of the pass program, which she said should involve only the Eco Pass. She said she would not have voted for the increase if she would have known the eventual outcome.

**SmartCard Project Update**

Ms. McKillop offered to take questions only on the last two update items. For the SmartCard. She reported that the go live date for the project was still scheduled for May 10, 2017, for pilot participants May 24, 2017, for the general public.

Director Francone asked about the notice to cure status of the disputed project completion items.

Ms. McKillop reported that the main outstanding items were payment card industry (PCI) compliance and platform validators. She said the vendor has a plan to put fans in the platform validators to cool them down, thereby
hopefully preventing the screens from turning black under sunlight. She said the vendor has been asked to compare validators side-by-side, one with the fan and one without. She said the vendor is servicing the validators even though warranty has expired. She said the vendor would hopefully resolve the PCI compliance prior to the before go live date but that all issues are currently within the agency’s risk tolerance.

- February 2017 Monthly Financial Status Report

Ms. McKillop said the actual sales and use tax revenues came in close to projections and that the agency is very close to being on budget for the year to date. She reported that ridership is down slightly and that fare revenue is slightly above projections. She said the amended budget would be presented soon and that the 2017 budget last year projected sales and use tax growth of over 6%, whereas the realized growth was 4%. She said this gap has resulted in a $20 million shortfall but said that she has a plan to accommodate for the difference.

D. Other Matters

Director Menten asked when the agency would begin to review fare structure changes slated to be implemented in 2019.

General Manager Genova said that those discussions would take place starting in early 2018.

E. Next Meeting Date - May 16, 2017

F. Adjourn

Committee Chair Menten adjourned the meeting at 9:18 p.m.

The following communication assistance is available for public meetings:

- Language Interpreters
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THE CHAIR REQUESTS THAT ALL PAGERS AND CELL PHONES BE SILENCED DURING THE BOARD OF DIRECTORS MEETING FOR THE REGIONAL TRANSPORTATION DISTRICT.