



Agenda Item No. 4

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of October 10, 2008

From: Joseph M. Wire, Auditor-Controller  
Celia G. Kupersmith, General Manager

Subject: **APPROVE A CHANGE TO THE COMMISSION STRUCTURE FOR  
GOLDEN GATE TRANSIT FARE MEDIA**

### **Recommendation**

The Finance-Auditing Committee recommends that the Board of Directors authorize the General Manager to change the commission structure paid to third-party vendors who sell Golden Gate Transit fare media from a percentage based commission of 4% of sales to a sales commission of one dollar per magnetic stripe ticket sold.

### **Summary**

The District currently compensates third-party vendors who sell Golden Gate Transit Ride Value and Frequent Ferry Rider ticket media on behalf of the District. The tiered compensation structure is an initial 4% for the first \$5,000 worth of media sold per month, decreasing to a 1% commission for sales over \$5,000 per month.

In the near future, with the introduction of the new fareboxes on Golden Gate Transit buses, the frequent rider discount program will change from a ride-based ticket book to a stored value magnetic stripe ticket. The tickets will be sold in a variety of denominations (i.e., \$25, \$50, \$75) and will be a single ticket that holds the value that is deducted through the farebox.

Staff recommends that the commission rate be changed to ease administrative burden in reconciling the different commissions for both the vendor and District staff, as well as reduce overall commissions paid out. It is anticipated that the savings for this new type of commission will be approximately 2% less than our current structure or \$85,000 annually, based on current trends. The commission for ticket books will remain on a percentage basis until discontinued.

### **Fiscal Impact**

The annual costs in vendor commissions are projected to be approximately \$85,000. The recommendation will increase revenues in FY 08/09 by \$62,000 due to the start date of January 1, 2009. Annually, this recommendation will reduce commissions paid out by approximately \$125,000 less than the current total of \$210,000.