Public notice was given to *The Register-Guard* for publication on February 14, 2018.

LANE TRANSIT DISTRICT

BOARD OF DIRECTORS WORK SESSION/RETREAT MEETING

Wednesday, February 21, 2018

Work Session/Retreat Meeting 9:30 a.m.

Oregon Trail Council – Boy Scouts of America Conference Room,

2525 Martin Luther King, Jr. Boulevard, Eugene

No public testimony will be heard at this meeting

AGENDA

		Time
I.	CALL TO ORDER	
II.	ROLL CALL	
	❒ Wick ❒ Yett ❒ Wildish ❒ Yeh ❒ Reid ❒ Necker ❒ Nordin	
III.	PRELIMINARY REMARKS BY BOARD PRESIDENT	
IV.	COMMENTS FROM THE GENERAL MANAGER *This agenda item provides an opportunity for the general manager to formally communicate with the Board on any current topics or items that may need consideration.*	9:30 a.m.
V.	ANNOUNCEMENTS AND ADDITIONS TO AGENDA *This agenda item provides a formal opportunity for the Board president to announce additions to the agenda, and also for Board members to make announcements.*	9:32 a.m.
VI.	STATE ETHICS TRAINING [Oregon Governmental Ethics Commission] *This agenda item provides an opportunity for the Board of Directors to receive training about Oregon ethics requirements. Board members will also be provided their annual conflict of interest forms to be filled out and signed.*	9:35 a.m.
VII.	FEDERAL TRANSIT ASSOCIATION (FTA) ETHICS TRAINING [Kristin Denmark] *This agenda item provides an opportunity for the Board of Directors to receive training about the FTA ethics requirements.*	11:05 a.m.
VIII.	BOARD AND COMMITTEE BYLAWS [Aurora Jackson, Camille Gandolfi] *This agenda item provides an opportunity for staff to update and engage the Board of Directors on the status and content of their Board and Board committee bylaws.*	11:35 a.m.
IX.	LUNCH BREAK *This time is reserved to allow the Board of Directors to take a break.*	12:05 p.m.

		Time
X.	PROJECT DEVELOPMENT AND REPORTING FOR THE FISCAL YEAR 2019-2028 CAPITAL IMPROVEMENTS PROGRAM (CIP) [Aurora Jackson] *This agenda item provides an opportunity for staff to engage the Board of Directors about the process for developing and reporting for the Fiscal Year 2019-2028 CIP.*	12:35 p.m.
XI.	FISCAL YEAR 2017-2018 AND FISCAL YEAR 2018-2019 CAPITAL IMPROVEMENT PROGRAM (CIP) [Aurora Jackson] *This time is reserved to allow the opportunity to engage the Board of Directors in a discussion about the projects in approved in for fiscal years 2017-2018 and 2018-2019.*	1:00 p.m.
XII.	ADJOURNMENT	2:30 p.m.

The facility used for this meeting is wheelchair accessible. If you require any special physical or language accommodations, including alternative formats of printed materials, please contact LTD's Administration office as far in advance of the meeting as possible and no later than 48 hours prior to the meeting. To request these arrangements, please call 682-5555 (voice) or 7-1-1 (TTY, through Oregon Relay, for persons with hearing impairments.

LANE TRANSIT DISTRICT

Government Ethics Training

February 21, 2018

GOVERNMENT ETHICS OVERVIEW

- How do I handle CONFLICTS OF INTEREST?
- What is a PROHIBITED USE of my position?
- What are the LIMITS on private EMPLOYMENT?
- What are the limits on GIFTS I can accept?
- Complaints process and sanctions.

Regulating, Limiting, Prohibiting Certain Financial Benefits...

To the Public Official,

Relatives,

Household Members,

& **Business Associations.**

Who is a "*Public Official*"?

Any person who is **serving the State of Oregon** or any of its political subdivisions or any other public body, as an elected official, appointed official, employee, agent or otherwise, **irrespective of whether the person is compensated** for the service.

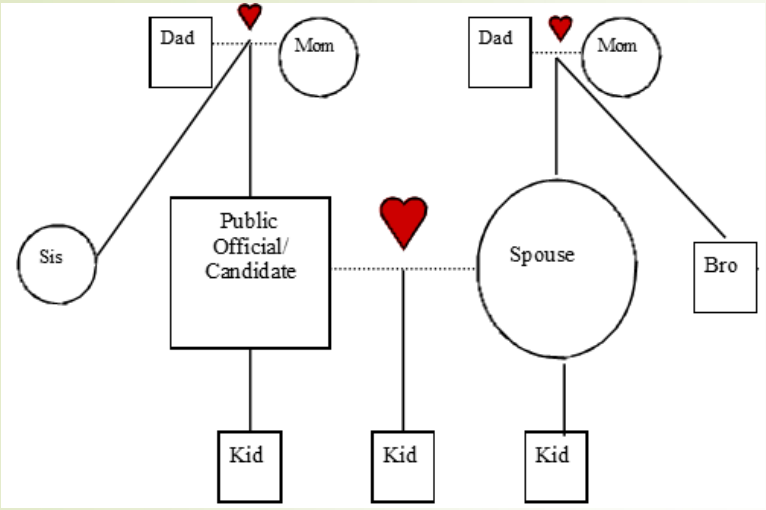
(ORS 244.020(15))

Who is a "*Member of the Household*"?

Any person who resides with the public official.

(ORS 244.020(11))

Who is a *"Relative"*?



- A public official's:
  - Spouse
  - Child, son or daughter-in-law
  - Parent, including stepparent
  - Sibling, including stepsibling
- Same members of the public official's spouse's family.

- Anyone for whom the public official has a legal support obligation.
- Anyone receiving benefits of the public official's public employment.
- Anyone from whom the public official receives a benefit of employment.

(ORS 244.020(16))

What is a "*Business*"?

Any corporation, partnership, proprietorship, firm, enterprise, franchise, association, organization, self-employed individual and any other **legal entity operated for economic gain**.

NOT:

- A **Public Body.**
- Tax-exempt 501(c) **non-profit** (***if*** associated only as a ***member, board director, or other unpaid position***).

(ORS 244.020(2))

A *Business Association*?

Private Business / Closely Held Corp:

- Director, officer, owner, employee, or agent;

OR

- Owned $1000+ in stock, equity interest, stock options, or debt interest during the preceding calendar year.

Publicly Held Corporation:

- Officer or director;

OR

- Owned $100,000+ in stock, equity interest, stock options, or debt interest during the preceding calendar year.

(ORS 244.020(3))

CONFLICTS OF INTEREST

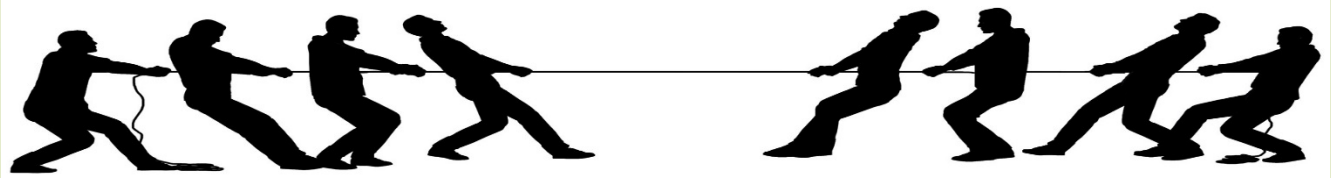
CONFLICTS OF INTEREST

Two types, **ACTUAL** & **POTENTIAL**:

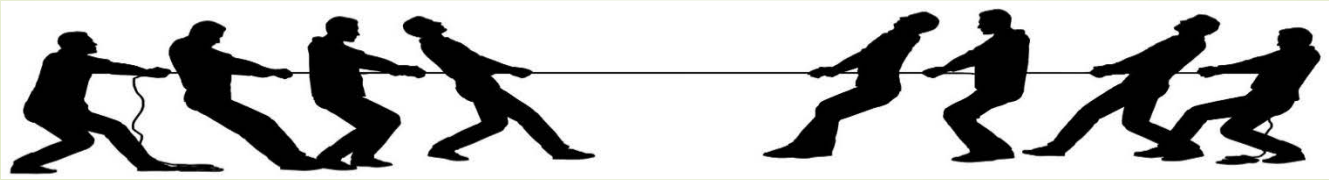
- Making any action, decision or recommendation,
- While acting in a capacity as a public official,
- That ***would*** or ***could*** result in a private financial benefit or detriment to yourself, your relative(s) or any business with which any is associated.

(ORS 244.020(1) & (13))

* "*Actual*" = *financial effect would occur with certainty*.
* "*Potential*" = *financial effect is uncertain*.



What Do I Do if I Have a Conflict Of Interest?

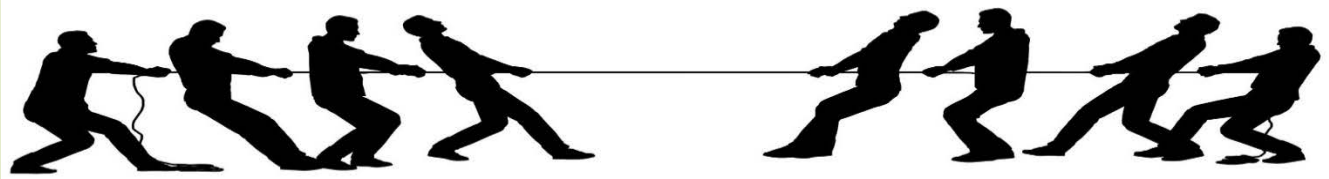


HOW TO HANDLE CONFLICTS FOR BOARD MEMBERS (ORS 244.120(2))

Publicly announce the conflict (when a matter requiring your to act, decide or recommend arises).

- *AND if it's an ACTUAL CONFLICT*—**Refrain from participating** as a public official (after making the public announcement).

  * **UNLESS** *participation is necessary to meet a quorum needed for the body to take official action—you may still vote, but must refrain from any other participation.*



HOW TO HANDLE CONFLICTS FOR STAFF(ORS 244.120(1)(c))

- Provide **written notice** to the person who appointed or employed you.
- Notice must:
  - **describe the nature** of the conflict, AND
  - **ask how to proceed**.
- **WAIT** for a response.

CONFLICTS OF INTEREST

Notice Requirements (cont'd…)

Employer must:

- **Assign someone else** to the task,

OR

- **Instruct** the employee on **how to proceed** with the matter.

AND

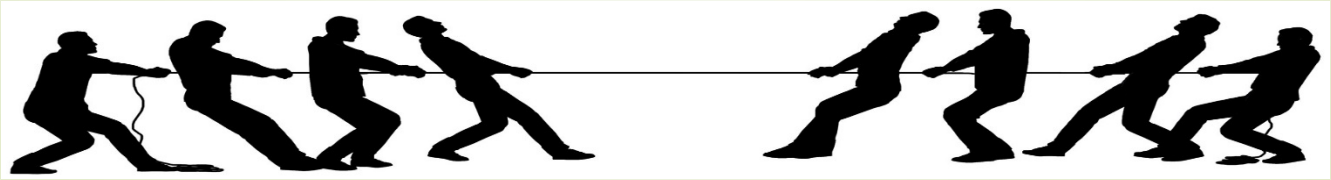
- **Record the notice** in the official records of the public body.

CONFLICTS OF INTEREST

Exceptions

1. Interest or **membership** in a business, industry, occupation or other class **required by law as a prerequisite to holding the office or position**.
2. If the action would **affect to the same degree a class** of persons.
   - Could include: all inhabitants of the state, or an industry, occupation or other identifiable group.
3. Membership in a 501(c) **non-profit** or on its board of directors.

(ORS 244.020(13)(a)-(c))



PROHIBITED FINANCIAL GAINS

PROHIBITED USE OF OFFICE

Public official may not use or attempt use position or office to obtain financial gain or avoid a financial detriment for:

- Themselves, relatives, household members, or any business with which any are associated, IF:
- the financial gain or avoidance of detriment would not be available ***but for*** the public official's holding the position or office.

(ORS 244.040)

PROHIBITED USE OF OFFICE

Exceptions

1. Accepting any part of the public official's **official compensation package** *(OAR 199-005-0035(3))*
2. Receipt of **honoraria** or other items under ORS 244.042 *(limit $50 max)*
3. **Reimbursements** *(OAR 199-005-0035(4))*
4. **Unsolicited awards** for professional achievement
5. **Gifts** not violating Oregon Government Ethics law
6. **Legal expense trust fund** contributions *(governed by ORS 244.205 – 221)*

USE OF OFFICE & PRIVATE INCOME

In general, public officials may obtain employment with a private employer or engage in private income-producing activity of their own. However, they:

- Must not use the position held as a public official to create the opportunity for additional personal income.
- Must ensure a clear distinction between use of personal resources and time for personal income-producing activity, and use of the public body's time and resources.

GUIDELINES TO PRIVATE EMPLOYMENT

- Use no governmental body tim 
- Use no governmental body resourc 
- Take no official action that could financially impact your private enterprise 
- Use no confidential information obtained as a public official *(ORS 244.040(4)&(* 

- Disclose all conflicts of interes 

GIFT LIMITS

GIFTS

$50 Limit

During a single calendar year…

A public official, relative, or household member…

May not receive any gift(s) worth over $50…

From any source reasonably known to have an **economic interest** in the public official's decision-making.

(ORS 244.025; see ORS 244.020(10))

A GIFT IS: something of economic value not offered to others who aren't public officials (relatives or household members) on the same terms and conditions (ORS 244.020(7)(a))

*But an offer is **NOT A GIFT** if it fails to meet the above definition OR if it is offered by the public entity the public official represents.*

* *However, Prohibited Use of Office (ORS 244.040) may apply*

SOURCE OF GIFT…

Has NO ECONOMIC INTEREST in matters subject to public official's official decision-making

→ **$50 GIFT LIMIT DOES NOT APPLY**

HAS ECONOMIC INTEREST in matters subject to public official's official decision-making

→ **$50 LIMIT *IF* NO EXCEPTION APPLIES**

EXCEPTIONS TO THE GIFT LIMIT (ORS 244.020(7)(b)(A)-(O))*

Admission/ Food/ Bev	Representing government at reception/meal/meeting	Invited & paid for by organization	*(E) exception*
		Private meal	$50 limit
	Incidental to main purpose of event	No cost to attendees	*(L) exception*
		Sit-down meal	$50 limit
Food/ Lodging/ Travel	Paid by gov't/tribe/501(c)(3)/membership org to which public body pays dues	Invited to represent gov't/speak /present/participate on panel	*(F) exception*
	Purpose is trade-promotion/fact-finding/ economic development/negotiation	Representing gov't w/ supervisor prior written approval	*(H) exception*
	(Travel only) Paid by 1 public official for another w/in Oregon	To/From event re recipient's position; recipient participates in official capacity	*(K) exception*
Entertain-ment	Incidental to main purpose of another event		*(M) exception*
	Representing gov't at event for ceremonial purpose	Invited by source of entertainment for a related special occasion (ceremony)	*(N) exception*
Gift as customary business practice	Gift is usual/customary practice of the private business	Bears no relationship to public official's official position	*(O) exception*
Award	*Unsolicited* award of appreciation	Plaque, trophy, desk or wall item, or similar & resale value < $25 (incl. cost of raw material)	*(C) exception*
Professional Licensing/ Materials	Information/publications/subscriptions related to performance of recipient's official duties		*(D) exception*
	Continuing education expenses paid for professional licensing requirement		*(J) exception*

OGEC Training, last rev. 05/03/2016

**This is a training tool not intended to substitute for review of law; select gift exceptions ((A), (B), (G), (I), (P)) excluded*

IS IT EVEN A "GIFT"?

- Something of economic value…
- Offered to a public official, relative, or household member…
- Without payment or for discount value…
- That is ***not offered to others on the same terms and conditions***.

(ORS 244.020(6))

A GIFT IS: something of economic value not offered to others who aren't public officials (relatives or household members) on the same terms and conditions (ORS 244.020(7)(a))

*But an offer is **NOT A GIFT** if it fails to meet the above definition OR if it is offered by the public entity the public official represents.*

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SOURCE OF GIFT…

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OGEC Training, last rev. 05/03/2016

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AGENCY RESOURCES

- ***Requests for guidance***
  - ***Written (Staff Advice, Staff Op., Advisory Op.)***
  - ***Telephone***
  - ***In-person***
- ***Review previously issued guidance***
- ***Trainings (in-person, webinars, iLearn)***
- ***Public records***
- ***Electronic forms***

Phone: 503-378-5105
FAX: 503-373-1456
e-mail: ogec.mail@state.or.us
Website: http://www.oregon.gov/OGEC/

THANK YOU!

OREGON GOVERNMENT ETHICS COMMISSION
3218 Pringle Rd. SE Suite 220
Salem, OR 97302-1544
Email: ogec.mail.oregon.gov
Phone: (503) 378 – 5105
Fax: (503) 373 – 1456
Web: http://www.oregon.gov/OGEC/

Trainer, Hayley Weedn
Email: hayley.weedn@oregon.gov
Phone: 503-378-8066

Defining Mission, Vision, Values, and Goals
(Definitions drawn from Peter Senge, *The Fifth Discipline*)

Mission – *"Whether you call it a mission or purpose, it represents the fundamental reason for the organization's existence. What are we here to do together?"*

Examples:
LTD's 'Why':
"We provide people the independence to achieve their goals, creating a more vibrant, sustainable, and equitable community."

Ann Arbor Transportation Authority:
"It is the mission of the Ann Arbor Transportation Authority to facilitate mobility by providing options for safe, efficient, and reliable transportation."

Vision – *"A vision is a picture of the future you seek to create, described in the present tense, as if it were happening now. A statement of 'our vision' shows where we want to go and what we will be like when we get there."*

Examples:
LTD (previous):
"We provide people the independence to achieve their goals, creating a more vibrant, sustainable, and equitable community."

Vision in Haiku
Innovating, sustaining
Safe and secure
Everyone rides the bus

Ann Arbor Transportation Authority:
"The Ann Arbor Transportation Authority is an organization providing, managing, and facilitating the greatest range of high-quality transportation options throughout Washtenaw County. It is an organization that respects and values its customers and its employees. AATA maintains its position as a recognized leader in the public presentation industry by being a flexible organization utilizing innovative technology and practices for the benefit of its customers. Members of AATA interact and work together and with external stakeholders in a spirit of cooperation and with the highest professional standards in order to make the organization 'The Ride of Choice'."

Valley Regional Transit:
We envision a Valley Regional Transit with adequate and secure funding to support a regional public transportation system that meets the personal and business needs of treasure valley residents and supports a livable and healthy community.

Intercity Transit (Olympia, WA):

Our vision is to be a leading transit system in the country, recognized for our well trained, highly motivated, customer-focused, community-minded employees committed to enhancing the quality of life for all citizens of Thurston County.

Values – *"Values describe how we intend to operate, on a day-to-day basis, as we pursue our vision. Values are best expressed in terms of behavior: If we act as we should, what would an observer see us doing? How would we be thinking?"*

Examples:

LTD's "How":

- We serve the community with respect.
- We continuously question if there's a better way.
- We collaborate internally and externally.
- We care for our employees, customers, and business partners.
- We plan for a sustainable future.

Goals – *Goals are "milestones we expect to reach before too long. Every shared vision effort needs not just a broad vision, but specific, realizable goals. Goals represent what people commit themselves to do in the short-run."*

Six long-term strategic goals have been adopted as part of LTD's Long Range Transit Plan:

1. Provide attractive travel options to improve ease of connectivity throughout LTD's service area
2. Sustain and enhance economic prosperity, environmental health, and quality of life in the community through investment in transit service and infrastructure
3. Ensure equitable and accessible transit service throughout LTD's service area
4. Maintain and enhance safety and security of LTD's services
5. Use LTD's resources sustainably in adapting to future conditions
6. Engage the regional community in LTD's short- and long-term planning processes

SECTION 5: Appendices

APPENDIX C: PROJECTS

FREQUENT TRANSIT NETWORK

Franklin Boulevard Phase 1 Transit Stations (2) — Contract #: 555555555 — GL Code: 55555

FUNDING SOURCE	BUDGET	REMAINING	TIMELINE	PROJECT PHASE
ConnectOregon	100,000	70,000	12/15-12/19	Obtain Funding
5309 OR-04-0049-00	30,000	40,000		
LTD Match	30,000	22,000		

The City of Springfield is currently planning to redevelop Franklin Boulevard from Interstate 5 to Old Franklin Road. This project is for the redevelopment of EmX service within this project area.

MovingAhead Project — Contract #: 555555555 — GL Code: 55555

FUNDING SOURCE	BUDGET	REMAINING	TIMELINE	PROJECT PHASE
ConnectOregon	100,000	70,000	12/15-12/19	Project Initiation
5309 OR-04-0049-00	30,000	40,000		
LTD Match	30,000	22,000		

MovingAhead is a cooperative effort of the City of Eugene, Lane Transit District, and regional partners in the community to determine what improvements are needed on some of our most important transportation corridors. This effort will be carried out through multiple phases over the next several years. The first phase of effort will lead to the identification of up to fourpriority corridors, which would then undergo further development work leading to capital investments related to the transit system as well as other modes of travel.

West Eugene EmX Extension — Contract #: 555555555 — GL Code: 55555

FUNDING SOURCE	BUDGET	REMAINING	TIMELINE	PROJECT PHASE
ConnectOregon	100,000	70,000	12/15-12/19	Project Initiation
5309 OR-04-0049-00	30,000	40,000		
LTD Match	30,000	22,000		

Design, engineering, construction, and the purchase of vehicles for the West Eugene EmX Extension. This extension of the EmX Green Line from the Eugene Station to West 11th Avenue west of Commerce Street is scheduled to open for service in 2017

LTD Project Updates: February 21, 2018

PROJECTS

FREQUENT TRANSIT NETWORK

Franklin Boulevard Phase 1 Transit Stations (2) #16-FBP1-30861

FUNDING SOURCE	BUDGET	REMAINING	TIMELINE	PROJECT PHASE
ConnectOregon	100,000	70,000	12/15-12/19	
5309 OR-04-0049-00	30,000	40,000		
LTD Match	30,000	22,000		

MovingAhead Project #16-MUAP-30861

FUNDING SOURCE	BUDGET	REMAINING	TIMELINE	PROJECT PHASE
ConnectOregon	100,000	70,000	12/15-12/19	
5309 OR-04-0049-00	30,000	40,000		
LTD Match	30,000	22,000		

West Eugene EmX Extension #08-WEEE-30861

FUNDING SOURCE	BUDGET	REMAINING	TIMELINE	PROJECT PHASE
ConnectOregon	100,000	70,000	12/15-12/19	
5309 OR-04-0049-00	30,000	40,000		
LTD Match	30,000	22,000		

Commerce Street Connect Bridge #14-CSCB-30861

FUNDING SOURCE	BUDGET	REMAINING	TIMELINE	PROJECT PHASE
ConnectOregon	100,000	70,000	12/15-12/19	
5309 OR-04-0049-00	30,000	40,000		
LTD Match	30,000	22,000		

Willow Creek #17-WEWC-30861

FUNDING SOURCE	BUDGET	REMAINING	TIMELINE	PROJECT PHASE
ConnectOregon	100,000	70,000	12/15-12/19	
5309 OR-04-0049-00	30,000	40,000		
LTD Match	30,000	22,000		

IBISWorld Procurement Report: 21986686
Transit Buses

Sean Windle
May 2016

IBISWorld
WHERE KNOWLEDGE IS POWER

About this Report

This report is intended to assist buyers of transit buses, which are purchased and operated primarily by public transit agencies charged with providing public transportation for a city or region. Transit buses are distinguished from coach buses in that they are designed for shorter-distance travel and thus feature a mixture of bucket and bench seating, standing room capacity, multiple large doors for entering and exiting and minimal luggage space. Transit buses are typically classified as Class 7 vehicles and can carry up to 57 seated passengers. Suppliers are primarily manufacturers, with dealers playing a small role selling used and new buses to private companies and small municipalities. This report does not include coach buses, school buses, minibuses or shuttles.

Table of Contents

At a Glance

Recent Price

0.5%

2013-2016

The average price for transit buses has been increasing slowly during the past three years due to stronger demand and falling steel prices.

Forecast Price

2.1%

2016-2019

Price growth for transit buses is forecast to grow at an accelerated pace during the next three years as demand picks up and steel prices return to growth.

Growth percentages represent annualized data.

Market Characteristics

Availability of Substitutes	Market Share Concentration	Product Specialization	Switching Costs
LOW	HIGH	LOW	MEDIUM

Market Risk

Recent Demand Driver Volatility	Recent Price Volatility	Vendor Financial Risk	Supply Chain Risk
MEDIUM	LOW	MEDIUM	MEDIUM

Buyer Power Score

3.1

See p. 24 for details.

Benchmark Price

$325k

per bus

Key Price Drivers

- World price of steel
- Price of motors and generators
- Average wages – truck and bus manufacturing
- Federal funding for transportation
- Local and state government investment

Major Vendors

- New Flyer Industries Inc. **>25%**
- Gillig LLC **>25%**
- AB Volvo **10-15%**
- Navistar International Corp. **10-15%**
- Daimler AG **<5%**

Vendor Cost Benchmarks

80.4% ↓ Purchases

4.6% ↑ Profit

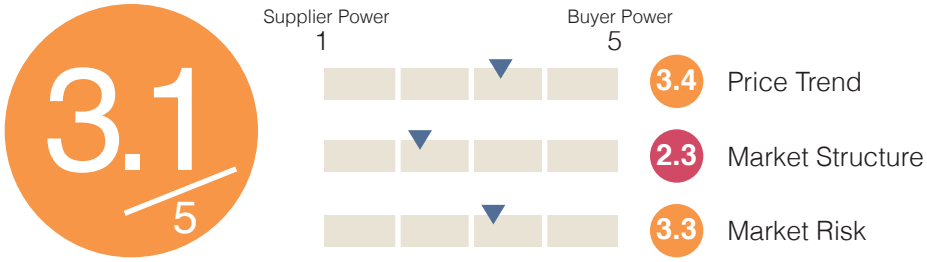
5.9% ↓ Wages

↓ 9.1% Overhead

Arrow indicates trend during the past year and next year.

Executive Summary

Buyer Power Score



The IBISWorld Buyer Power Score is a weighted score based on a number of quantitative and qualitative criteria associated with buying a product or service. The score is calculated between 1 and 5, with 1 signifying low buyer power and 5 meaning high buyer power. The more power a buyer has the greater leverage they have to get lower prices and better contract terms. For more information see page 24.

Executive Summary

Transit buses have a buyer power score of 3.1 out of 5, indicating a slight advantage for buyers when negotiating supply agreements. Slow price growth has been one of the biggest factors aiding buyers. While demand has strengthened, falling steel prices have helped keep suppliers' production costs stable, thus limiting the extent of price growth for transit buses. In addition to slow price growth, buyers have benefited from low price volatility. Although steel costs are frequently unstable, the systematic way in which transit agencies purchase new buses (about one-third of their fleet every three to four years) promotes stable demand and price growth, which helps buyers more accurately budget their purchases.

Low product specialization also bolsters buyer power. Although transit buses are made to order according to a transit agency's needs, propulsion systems, floor designs and other bus specifications are largely standardized. Low product specialization means the transit buses are technically comparable across manufacturers, which encourages suppliers to compete on the basis of price and aids buyer power.

The high level of supplier concentration, however, hurts buyer power. The top two suppliers (New Flyer Industries and Gillig LLC) account for about three-quarters of market revenue. While large transit agencies have strong leverage in the negotiation process, high market share concentration ultimately means higher prices and less choice for buyers. Furthermore, federal regulations prevent lower-cost foreign suppliers from offering their buses on the domestic market, further limiting competition.

Buyer power is also diminished by a lack of viable substitutes. Many transit agencies also utilize passenger rail; however, these systems are used in conjunction with buses, rather than in place of them, to serve heavy public transportation needs. Furthermore, the cost of digging subway tunnels and laying rail tracks is prohibitive. Minibuses and shuttles are also poor substitutes for transit buses due to their small capacity. Without substitutes, buyers cannot leverage the availability of alternative products to get a better price.

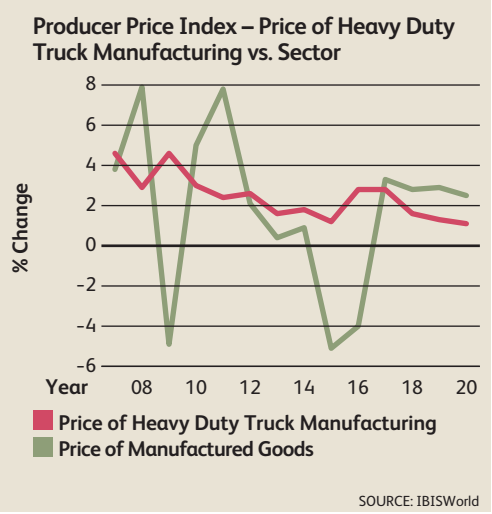
Price Environment

Price Summary

Three-year Price Trend **0.5%**

Three-year Price Forecast **2.1%**

- Factor is a threat to buyer
- Factor should be investigated
- Factor is not a threat to buyer



Price Fundamentals

Average Price	$325,331 per bus
Price Range	WIDE: $5,000 to $900,000 per bus
Key Pricing Factors	Propulsion system Size Number of buses purchased New or used

Benchmark Price

The average price for a transit bus is $325,331 in 2016. This price is based on the cost of a 40- to 45-foot diesel engine bus, the most commonly used transit bus in the United States. The price range for transit buses is wide, from about $5,000 to $900,000 per bus.

The bus's propulsion system is the primary factor shaping price. Diesel buses are the most common and generally least expensive transit buses; diesel engines are a proven technology that has been around for more than a century. Buses that run on compressed natural gas (CNG) are becoming more popular, especially because natural gas burns cleaner than diesel and helps transit agencies meet increasingly strict emissions standards. On average, CNG buses cost about $70,000 more than an equivalent diesel bus. Hybrid buses combine a diesel or gasoline engine with an electric motor, and cost about $500,000 or more per bus. Electric buses are the most expensive, with a price tag of $800,000 or more. As an emerging technology still being developed and improved, the high production and development costs associated with electric buses and battery technology contribute to a higher initial price.

The size of the bus also affects price. Most transit buses are 40 to 45 feet long; however, smaller or larger buses may be purchased depending on the needs of the buyer. For example, smaller buses enable transit access on narrow streets, and articulated buses (two rigid bus sections combined by a pivoting joint) maximize passenger capacity. Larger buses require more steel and aluminum, as well as additional seating and interior components, which drive up

Price Environment

Price Fundamentals continued

production costs and result in higher prices for buyers.

Because transit buses are manufactured on a made-to-order basis, the number of buses purchased also impacts price. Buyers purchasing a large quantity of similarly equipped buses will pay a lower price per vehicle because bulk orders decrease the supplier's marginal costs of manufacturing and selling each bus.

Price will also vary considerably between new and used buses. Municipalities do not generally purchase used buses; however, retired transit buses are often sold at auction or through dealerships, and are available at significant discounts (as low as $5,000). While these buses usually require maintenance to bring into operation, they are a lower-cost transit solution for private companies like amusement parks and tour operators.

Pricing Model

Suppliers use a cost-plus pricing model, in which the price of the transit bus is based on the cost of production, plus a profit margin. Dealers use the same model; however, instead of basing their prices on production costs, they base them on the cost to purchase the transit bus from the manufacturer. This pricing model is favorable for suppliers because they can pass input costs down to buyers in the form of higher product prices. Steel and aluminum are two primary input materials used to manufacture buses, and are subject to high price volatility stemming from global trends in supply and demand, exchange rates and other factors.

The best way for buyers to mitigate pricing risks is by signing a supply contract, which is fairly standard for most municipalities. Rather than specifying a period of time to go into business together, these contracts stipulate a minimum number of buses to be purchased at an agreed-upon price and by a certain date. By utilizing contracts, buyers can lock in a guaranteed price, thereby shielding themselves from higher prices brought on by rising input costs. Contracts are especially important in this regard because buses are manufactured on a made-to-order basis, and input costs often fluctuate during the long buying lead time. Contracts also usually give buyers the option to purchase additional buses at the same price point if they are satisfied. This flexibility is great for buyers wanting to minimize risk while updating their bus fleet with new technology. For example, in April 2015, the Los Angeles Country Metropolitan Transportation Authority purchased five electric buses, with an option to buy 20 more if the first five met expectations.

Price Drivers

Price Driver Volatility Level: MEDIUM

Price drivers for transit buses have exhibited a moderate level of volatility during the past three years, primarily due to volatility in the prices of inputs such as steel and aluminum. In the past three years, steel and aluminum prices have fluctuated significantly. External demand drivers have also exhibited an overall medium level of volatility, with federal and local government funding fluctuating moderately during the past three years.

Despite some volatility in input costs and government funding, transit bus manufacturers have managed to control input costs and match supply to demand during the past three years. As such, price growth for transit buses has been steady and predictable, which has made it easier for buyers to budget for purchases.

Input Cost Drivers

World price of steel: Purchases are the

Price Environment

Price Drivers continued

largest cost category, accounting for an estimated 80.4% of the average transit bus manufacturer's cost structure. Metal products, particularly steel products, are among the most common purchases. These include steel forgings, stampings, castings and fabricated sheet metal used to construct the vehicle's body. Furthermore, steel is a major input for many of the products suppliers purchase from third parties, such as the chassis and drivetrain. In the three years to 2016, the world price of steel has been declining at an estimated annualized rate of 7.1%, helping to temper price growth for transit buses. Annual fluctuations in steel prices have also been highly volatile; however, this volatility has not been reflected in transit bus prices because manufacturers have been pressured to keep pricing stable in order to compete for government contracts. In the next three years, steel prices are forecast to rise at an annualized rate of 5.2%. Higher steel prices will contribute to faster price growth for transit buses heading into 2019.

Price of motors and generators: While steel prices have declined, the prices of other inputs, such as motors, have been rising. The majority of transit bus manufacturers purchase engines from third parties, such as General Motors or Cummins. For suppliers that source engines from third-party vendors, engines account for an estimated 12.0% of revenue, making them a significant

Price Driver Statistics

	World Price of Steel (Index)	Change (%)	Price of Motors & Generators (Index)	Change (%)	Federal Funding for Transportation ($b)	Change (%)	Local & State Govt. Investment ($b)	Change (%)	Urban Population (%)	Change (%)
2006	174.15	9.10	161.90	4.86	70.20	3.39	358.23	1.70	80.00	0.25
2007	182.91	5.00	169.60	4.76	72.90	3.85	362.10	1.10	80.20	0.25
2008	220.60	20.60	177.70	4.78	77.60	6.45	365.18	0.80	80.40	0.25
2009	165.24	-25.10	181.80	2.31	84.30	8.63	363.05	-0.60	80.50	0.12
2010	191.68	16.00	185.40	1.98	92.00	9.13	351.00	-3.30	80.70	0.25
2011	216.21	12.80	196.50	5.99	93.00	1.09	330.27	-5.90	80.80	0.12
2012	207.99	-3.80	201.10	2.34	93.00	0.00	309.85	-6.20	81.00	0.25
2013	194.83	-6.30	203.20	1.04	91.70	-1.40	297.95	-3.80	81.10	0.12
2014	200.13	2.70	206.10	1.43	91.90	0.22	299.00	0.40	81.30	0.25
2015	177.00	-11.60	206.50	0.19	92.90	1.09	306.70	2.60	81.40	0.12
2016	156.43	-11.60	208.20	0.82	98.70	6.24	310.99	1.40	81.50	0.12
2017	169.29	8.20	209.40	0.58	103.80	5.17	313.17	0.70	81.70	0.25
2018	184.29	8.90	210.90	0.72	107.20	3.28	312.80	-0.10	81.80	0.12
2019	182.14	-1.20	212.60	0.81	108.10	0.84	316.45	1.20	82.00	0.24
2020	190.77	4.70	213.50	0.42	109.90	1.67	319.39	0.90	82.10	0.12

SOURCE: IBISWorld

Price Environment

Price Drivers continued

input cost for many transit bus suppliers. In the three years to 2016, the price of motors and engines has been rising at an estimated annualized rate of 0.8%, driving steady and slow price growth for transit buses. This trend is forecast to continue in the three years to 2019, with the price of motors and generators increasing at an annualized rate of 0.7% during the period.

Average wages – truck and bus manufacturing: Wages account for an estimated 5.9% of the average supplier's revenue in 2016. The minimal share of wages as a percentage of revenue is due to the heavy use of assembly lines and other automated machinery and equipment in the production of transit buses. The reliance on automated production helps decrease wages as a share of revenue. Although average wages for transit bus production fall under the broader umbrella of wages for truck and bus manufacturing, which have been highly volatile, average wages for transit bus suppliers have exhibited much more stable growth. One reason for this lower volatility is the federal government's mandate of a 12-year minimum operating life for most transit buses. Most local and state governments can only receive federal funding to replace buses that are 12 years or older. As such, suppliers can easily gauge current and future demand for transit buses, and they are less likely to experience surges in demand that would necessitate a sudden increase in labor.

In the three years to 2016, average wages for transit bus manufacturing have been increasing at an estimated annualized rate of 0.4%, and they are forecast to increase at an annualized rate of 0.5% heading into 2019. The gradual uptick in average wages is due to the widespread and increasing use of automation in the production of transit buses, which tends to eliminate low-skill and low-paying assembly line jobs. Rising automation has also reduced suppliers' overall labor needs, causing wages as a share of revenue to drop. Declines in wages as a share of revenue help keep price growth for transit buses in check.

Vendor Average Cost Structure	Proportion of Revenue (%)
Profit	**4.6**
Wages	**5.9**
Purchases	**80.4**
Metal Products	20.8
Engines	12.0
Shocks, Exhaust Systems & Other Vehicle Components	6.8
Seating & Interior Trim & Fixtures	2.9
Tires & Other Fabricated Rubber Products	2.2
Other	35.7
Overhead	**9.1**
Depreciation	3.4
Rent & Utilities	1.7
Marketing	1.0
Other	3.0
Total	**100.0**

SOURCE: IBISWorld

External Demand Drivers

Federal funding for transportation: Federal funding for transportation is divided into four areas: ground, air, water and other. About two-thirds of all federal transportation spending is allocated to ground transportation, which includes buses for city and county transit agencies. Because municipalities represent the largest buying group for transit buses and about 80.0% of the cost of new buses is covered by the Federal Transit Administration (FTA), federal funding for transportation is a major driver of market demand. In the three years to 2016, federal transportation funding has been increasing at an estimated annualized rate of 2.5%, spurring

Price Environment

Price Drivers continued

stronger demand and higher prices for transit buses. This trend is forecast to continue in the three years to 2019, with federal transportation funding increasing at an annualized rate of 3.1%, driving bus prices further upward.

Local and state government investment: Local and state government investment measures the total amount of funds allocated by local and state governments for fixed assets, such as transit buses and related infrastructure. Although the majority (80.0%) of funding for transit buses comes from the federal government, municipalities must cover the remaining 20.0% through taxes and local and state grants and funds. Furthermore, the use of federal funds is typically limited to capital purchases (i.e. transit buses), which means that municipalities must cover all of their operating expenses, such as driver wages and repairs and maintenance through local and state means. In the three years to 2016, local and state government investment has been rising at an estimated annualized rate of 1.4%, strengthening demand and price growth for transit buses. In the three years to 2019, local and state government investment is forecast grow at an annualized rate of 0.6%, fueling higher demand and prices during the period.

Urban population: Higher population densities spur demand for public transportation in urban areas. Additionally, dense cities and counties require additional transit buses as their populations grow. In 2016, an estimated 81.5% of the US population lives in urban areas, an estimated 0.4 percentage points more than in 2013. The gradual rise in the urban population has fueled steady demand and price growth for transit buses. This trend is forecast to continue in the next three years, with the urban population growing by 0.5 percentage points to 82.0% in 2019.

Recent Price Trend

Three-Year Average Annual Price Trend: **0.5%**

Price Volatility: **LOW**

In the three years to 2016, the average price of transit buses has risen at a slow estimated annualized rate of 0.5% due to a combination of strong demand and falling input costs.

Transit buses are purchased primarily by public transit agencies, with about 80.0% of funding coming from the FTA. As such, trends in federal funding are directly correlated with demand for transit buses. During the past three years, federal transportation funding has been rising at an estimated annualized rate of 2.5%, thereby providing public transit agencies with more money for transit buses in cities across the United States. Simultaneously, steady growth in the urban population has boosted demand in areas with high and increasing population densities.

Rising local and state government investment has also strengthened demand and price growth. Municipalities are responsible for about one-fifth of the cost of new transit buses, and they must pay for all long-term operating expenses. As federal funding has risen and state government agencies have had more money to invest in public transit, cities and counties have been more apt to purchase bus fleets.

While increases in government funding and the urban population have been driving higher demand and prices, other factors have kept that price growth in check. Steel, the primary input for transit bus manufacturers, has declined significantly in price during the past three years. Other metals used in transit bus manufacturing, such as aluminum, have also fallen in price. Falling metal

Price Environment

Recent Price Trend continued

prices have lowered suppliers' production costs and mitigated recent price growth.

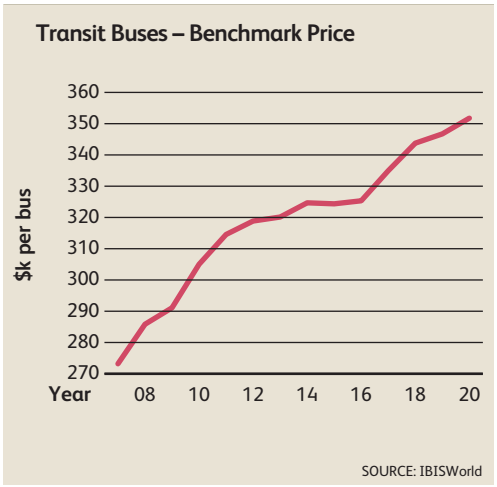
In addition to slow price growth, buyers have benefited from low price volatility. Despite volatile steel prices, the small number of suppliers serving the majority of public transit agencies have been able to match supply to demand, which has kept price growth stable. Transit agencies replace buses on a set schedule (about one-third of their fleet every three to four years), which promotes stable demand and pricing. Furthermore, large-scale manufacturers use vertical integration to control supply chain costs. Although higher prices are forecast for the next three years, buyers should not rush to make purchases now. With limited exceptions for damaged or defective vehicles, transit agencies that replace individual buses before they reach their minimum useful life of 12 years face financial penalties from the FTA.

Price Forecast

Three-Year Average Annual Price Forecast:
2.1%

Price growth for transit buses is forecast to accelerate to an annualized rate of 2.1% during the three years to 2019. This stronger rate of price growth will stem mainly from a return to growth in the prices of input materials such as steel. After significant declines during the past three years, steel prices are forecast to rise at an annualized rate of 5.2% from 2016 to 2019. Furthermore, the prices of other metals commonly used to manufacture transit buses, such as aluminum, are also projected to rise. Higher prices for metals and other input materials will increase production costs for suppliers, which will pass the additional expense down to buyers in the form of higher prices.

In addition to higher input costs, stronger demand will fuel accelerated price growth. Federal transportation funding is forecast to grow at a stronger annualized rate of 3.1% in the next three years. Additionally, local and state government investment is forecast to rise marginally heading into 2019. With their financial outlooks improving and plenty of federal funds at their disposal, municipalities will be more apt to invest in new buses for transit systems. Steady growth in the urban population will also continue to drive demand and price growth for transit buses.



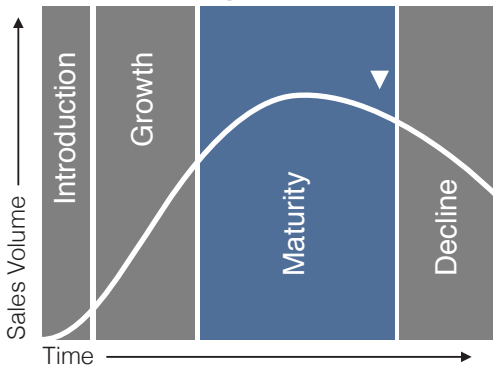
While prices will rise at a faster pace, price volatility will remain low heading into 2019. The set schedule at which public transit agencies replace and purchase transit buses will promote stable demand and price growth, minimizing the risk of price shocks.

Product Characteristics

Product Life Cycle

Transit buses are in the mature phase of the product life cycle. Sales growth has been steady during the past three years and is expected to remain so heading into 2019. Most public transit agencies replace about one-third of their bus fleet every three to four years, with the idea being that their fleets are always composed of equal parts new buses, middle-aged buses and buses approaching or surpassing the 12-year mark. The systematic way in which buses are replaced and purchased promotes stable demand and pricing trends, which benefit buyers.

Life Cycle Stage: **Maturity**



Life Cycle Factor	Transit Buses Characteristics
Price Trend	Due to the widespread use of transit buses in many cities and counties and the systematic way in which they are purchased and replaced, pricing trends are typically stable. During the past three years, transit bus prices have been rising at an estimated annualized rate of 0.5%. While demand has been rising, lower steel costs have placed downward pressure on prices. During the next three years, price growth is forecast to accelerate to an annualized rate of 2.1% as demand strengthens and steel costs rise.
Product Change	Most product change stems from local and state regulations that focus on reducing greenhouse gas emissions. For example, a ban on purchasing new diesel buses in Los Angeles and other cities in Southern California that was enacted in 2000 has paved the way toward a wider integration of natural gas-powered buses. In anticipation of stricter environmental laws, Los Angeles and many other cities are also investing in electric buses. In turn, manufacturers are working with their research and development teams and other electrical equipment companies to produce longer-lasting and more efficient batteries for electric buses.
Distribution Scope	The distribution scope for transit buses is narrow. Although a large number of dealers operate in this market, transit buses make up a small portion of their operations; dealers instead focus on selling minibuses and shuttles, which are more commonly purchased by private buyers. As such, the majority of public transit agencies purchase buses through a limited number of manufacturers. While the lower competition hurts buyer power, large transit agencies usually have the financial muscle to leverage a favorable deal.
Marketing Trends	Advertising costs make up a relatively small portion of the average supplier's revenue. Transit bus manufacturers primarily serve public transit agencies, which purchase buses according to a set schedule. As such, most suppliers spend relatively little on long-term advertising campaigns, and instead reach out directly to municipal buyers with special pricing offers and other promotional materials.

Product Characteristics

Total Cost of Ownership

The total cost of ownership for transit buses is high. Once a new bus is purchased, buyers must pay to operate it. Furthermore, while the federal government funds about 80.0% of the cost to purchase new buses, local transit agencies are usually responsible for all of the operating costs, which are significant. For example, in New York City it costs about $173 to operate a bus for one hour, and in Los Angeles, it costs about $125 per hour operated. About 60.0% to 70.0% of the above costs go to pay wages and benefits for drivers, mechanics, supervisors and other staff, with the remainder of operating costs composed of fuel, lubricants, insurance and other necessary equipment and supplies.

Buyers may also need additional infrastructure to accommodate their new buses. For example, electric buses require charging stations, which can cost upwards of $50,000 each. Buyers purchasing buses that run on compressed natural gas (CNG) will require even more expensive natural gas fueling stations, which can cost as much as $10.0 million per facility.

When assessing ownership costs, buyers must carefully balance the advantages and disadvantages of different types of propulsion systems, as well as their environmental impact and pertinent regulations. For example, while CNG buses require expensive fueling facilities and are less fuel efficient than diesel buses, natural gas is cheaper than diesel fuel and CNG buses are far less polluting. These factors help transit agencies comply with environmental protection laws.

Another way buyers can lower ownership costs is to purchase buses from one supplier. Buyers that stick with one vendor can save on warehouse costs since they do not have to stock and order parts from multiple suppliers. Furthermore, purchasing from one supplier streamlines maintenance costs since mechanics only need to be trained on one bus.

Product Specialization

Transit buses are manufactured on a made-to-order basis, and while this usually indicates a moderate or high level of specialization, product specialization for transit buses is low. Suppliers provide buses this way, not because they are highly specialized, but rather because they are expensive to manufacture and demand is based entirely on the timeline in which public transit agencies retire and purchase buses.

Manufacturers largely operate as second-stage producers, meaning they purchase most of the vehicle components from third-party suppliers and then assemble the bus themselves. These components are largely standardized; for example, bus engines are produced by either Cummins or Detroit Diesel Corporation, regardless of the transit bus manufacturer, and transmissions are made by either Allison Transmission or Voith.

Additionally, the customizable options (e.g. propulsion systems, bus sizes, floor designs and door widths) are largely standardized across the market, and do not require any specialized knowledge or experience. As such, the buses offered by suppliers are largely similar in build and design, with only minor aesthetic differences to set them apart. As a result, suppliers compete mainly on price to secure business from transit agencies, which bolsters buyer power.

Product Characteristics

Related Goods

In addition to transit buses, suppliers offer a variety of related goods, including minibuses and shuttles, parts, components and tools, and warranty, repair and maintenance services. Buyers are encouraged to bundle related goods and services with their purchase whenever possible to ensure compatibility. Further, purchasing related goods from the same supplier allows buyers to leverage the size of their account for more favorable pricing.

Related Goods	Description
Minibuses & Shuttles	Minibuses and shuttles are smaller than transit buses, and are used to transport about 10 to 20 passengers. While these vehicles are usually unsuited for large-scale public transportation applications, local and state governments may purchase minibuses or shuttles to assist in transporting passengers around airports, public universities and parks. Hotels, hospitals and other businesses also purchase minibuses and shuttles to transport guests to and from their vehicles and other nearby locations.
Parts, Components & Tools	Transit buses come with a number of mechanical and interior parts and components that periodically need replacing, such as brakes, headlamps, suspension and steering components and more. Additionally, many suppliers offer a comprehensive line of tools designed for the repair and maintenance of transit buses.
Warranty, Repair & Maintenance Services	Suppliers offer various levels of warranty, repair and maintenance service that provide an immediate response in the event of a breakdown. For example, many suppliers allow buyers to submit warranty claims online, ensuring that claims are received immediately and replacement parts are sent as soon as possible. Suppliers also offer repair and maintenance services directly, or can provide training and resources to the buyer's staff on how to properly repair and maintain bus systems.

Substitute Goods

The availability of substitutes for transit buses is low. Subways, above-ground rail systems, minibuses and shuttles can also serve the transit needs of municipalities and private companies, but they are not viable substitutes for transit buses. As such, transit agencies cannot leverage these options to get a better price.

Availability of Substitutes: **LOW**

Substitutes	Description
Subways & Above-Ground Rail Systems	Subways and above-ground commuter rail systems provide a similar breadth of public transportation service and capacity; however, rail systems require different and often much more expensive infrastructure, and are generally used in concert with transit buses for large cities with heavy public transportation needs. As such, the cost to build underground subway tunnels and lay rail tracks would not be realistic for smaller cities or counties needing to create or expand their public transit system.
Minibuses & Shuttles	In rare circumstances, transit buses can be substituted with minibuses or shuttles; however, these scenarios are limited to smaller, private buyers, such as tour operators and amusement parks, which generally have comparatively light transportation needs. Nonetheless, the leverage private buyers can achieve with these substitutes is limited since many transit bus suppliers are also suppliers of minibuses and shuttles. Overall, minibuses and shuttles do not represent a viable substitute for the heavy public transportation needs that city and county transit agencies serve.

Product Characteristics

Regulation

Regulatory Change: MEDIUM

Regulation and the pace of regulatory change is moderate in the transit buses market. Federal regulations play a major role in the purchase of transit buses. The Federal Transit Administration (FTA) has set a minimum operating life of 12 years for most buses, after which transit agencies are eligible for federal funding to replace aging vehicles. Federal funding and the FTA's minimum 12-year operating life foster steady sales and price growth, which benefits buyers.

Nonetheless, other regulations have undermined buyer power. For example, the Americans with Disabilities Act (ADA) requires transit buses to be equipped with ramps or lifts to allow access for people in wheelchairs. Furthermore, the bus's interior must contain securement areas for wheelchairs and other mobility devices, and priority seating for elderly and disabled passengers. These regulations have remained fairly constant since the ADA was passed in 1990; however, small tweaks concerning transit buses are periodically added as new research on transportation safety becomes available. These changes often result in marginal price increases.

Suppliers must also comply with Buy America regulation, which stipulates that transit buses contain at least 60.0% percent domestic content by cost, and that final assembly take place in the United States. Excepting some minor components, this regulation precludes competition from lower-cost foreign manufacturers for price-influencing bus components like engines and transmissions, thereby diminishing buyer power. What's more, the current 60.0% standard is set to increase incrementally through 2018 and will be 100.0% by 2019. These increasing standards will lead to higher production costs for suppliers and higher purchase prices for buyers.

Environmental protection laws also affect buyers and suppliers, and vary by city and state. For example, after banning the purchase of new diesel buses in 2000, Los Angeles is now home to the largest fleet of compressed natural gas (CNG) buses in the United States. According to the American Public Transportation Association, more than 35.0% of public transit buses in the United States run on alternative fuels or hybrid technology, and this figure is expected to increase as more cities and states adopt stricter emissions standards. As such, buyers can expect their costs to rise as they are forced to replace cheaper diesel buses with more expensive CNG, hybrid or electric buses.

Quality Control

Key Quality Factors
Reliability
Adherence to specifications
Ease of operation

Although transit buses are largely similar from one supplier to the next, they represent a substantial investment for local, state and federal governments. Furthermore, transit buses play a vital role in public transportation and reducing traffic congestion and greenhouse gas emissions. As such, buyers should carefully assess a variety of quality factors to make sure they are not purchasing an inferior transit bus that will not meet their operational needs.

Transit buses represent a substantial investment for many public transit agencies, and as such, reliability is a key quality factor. Buses should operate reliably up to and reasonably past the FTA's mandated 12-year operating life.

Product Characteristics

Quality Control continued

Buses that need to be retired early due to frequent breakdowns and high maintenance costs are often done so at the buyer's expense, and are subject to financial penalties without FTA approval.

Adherence to specifications is another important quality factor for buyers to consider. In addition to matching buyers' aesthetic specifications (e.g. seats, interior fabric and painting schemes), buses should perform accurately with respect to fuel efficiency, turn radius and other criteria. Accurate fuel efficiency is especially critical for buyers in order to properly budget long-term operating expenses. Furthermore, an inaccurate turn radius could mean the difference as to whether or not a bus is able to provide service for narrower streets. Buyers should also make sure buses have proper seating and standing capacity. Buses that run busy routes without adequate passenger capacity will drive up operating costs for buyers, which will have to devote additional buses to the route.

Buyers should also consider ease of operation, especially with respect to mobility and accessibility equipment like wheelchair ramps and lifts, wheelchair securement equipment, bike racks and other components. Difficulty operating lifts, ramps and other bus systems can result in longer passenger pickup and drop-off times, and increase the risk of injury due to improper use.

Supply Chain & Vendors

Supply Chain Dynamics

Supply Chain Risk	MEDIUM
Average Vendor Risk	MEDIUM

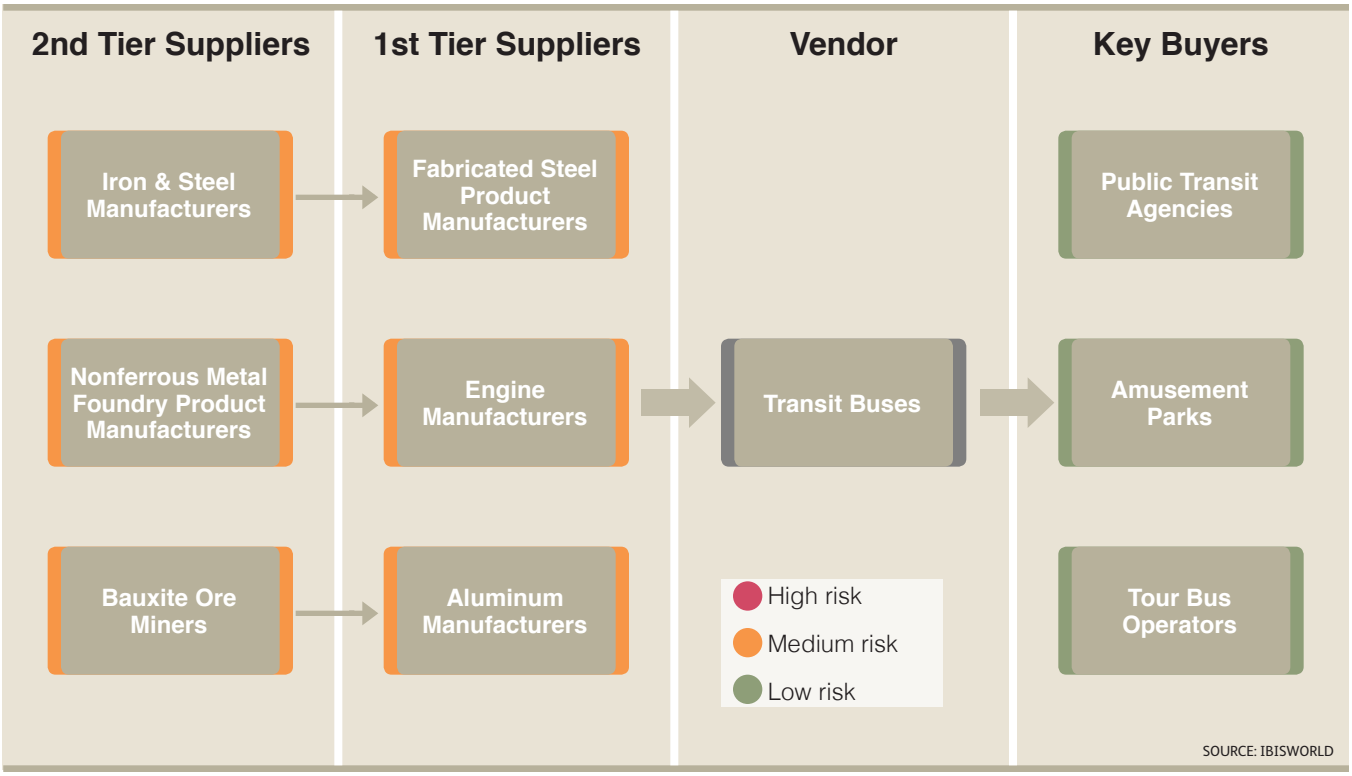
Supply Chain Risk

The supply chain for transit buses exhibits a medium level of risk, primarily due to manufacturers' reliance on upstream materials like steel and aluminum. First- and second-tier upstream suppliers provide manufacturers with the raw and finished steel and aluminum necessary to construct the bodies of transit buses. Furthermore, steel and aluminum are essential inputs in the manufacture of many other purchased components, such as engines and drivetrains. Overall, IBISWorld estimates that steel, aluminum and other metals account for about one-fifth of the average supplier's total revenue. When factoring in the purchase of metal-derived components like engines and drivetrains, this figure climbs even higher. Steel and aluminum prices are subject to significant volatility stemming from global supply and demand trends and exchange rates. These factors create significant risks for transit bus manufacturers, which face potentially higher and volatile metal prices on an annual or monthly basis. Higher metal prices get passed down to buyers in the form of higher product prices. While falling metal prices have benefited suppliers and buyers during the past three years, IBISWorld forecasts that steel and aluminum prices will return to growth heading into 2019.

Public transit agencies are the primary buyers of transit buses and pose little risk to suppliers. Transit agencies replace buses on a 12-year timeline, and 80.0% of the funding for transit buses comes from the federal government. These factors promote stable sales and price growth in the market.

Geographic Locations

Suppliers are primarily concentrated in the Great Lakes, Southeast and West



Supply Chain & Vendors

Supply Chain Dynamics continued

regions of the United States, which combined account for more than 60.0% of supplier establishments. In addition to containing a number of densely populated metropolitan areas with large public transportation agencies, these regions place suppliers in close proximity to key upstream suppliers. For example, the Great Lakes region, which is known as the manufacturing hub of the United States, is home to a large number of steel manufacturers.

Buyers typically purchase from a supplier that operates within their state or regional area. Manufacturers typically have multiple production and distribution locations throughout the United States. For example, Navistar has facilities in all three major market regions. Purchasing from an in-state or regional supplier reduces shipping costs, thereby allowing buyers to save money.

Imports

There are no imports of transit buses. The FTA requires that all transit buses purchased with federal funds be assembled in the United States. Furthermore, components making up at least 60.0% of the value of transit buses must be American-made. This "Buy America" mandate means the highly concentrated supplier base of US transit manufacturers faces no competition from lower-cost foreign suppliers. As a result, buyers pay higher prices for transit buses and have less negotiation leverage.

Nonetheless, transit buses are manufactured from a variety of domestic- and foreign-produced components, which can pose potential quality concerns. Buyers should ask suppliers to provide a thorough overview of where they source components from so that they can assess any potential quality issues with foreign-made parts.

Competitive Environment

Market Share Concentration **HIGH**

Market Share Concentration

The transit bus market is composed of about 714 suppliers and is highly concentrated. The market is dominated by two manufacturers (New Flyer Industries and Gillig LLC), which combined account for about three-quarters of market revenue. High market share concentration is the result of several factors, including the FTA's Buy America requirements, the loyalty that many public transit agencies have to established brands and merger and acquisition activity by the market's top manufacturers. For example, New Flyer made several strategic acquisitions in 2013, including an $80.0 million purchase of rival bus manufacturer North American Bus Industries and a $29.0 million purchase of Daimler's Orion aftermarket part business for transit buses. These purchases and other mergers and acquisitions have caused concentration to increase during the past three years. High market share concentration limits competition between suppliers, resulting in less negotiating power for buyers.

Vendor Company Types

IBISWorld estimates there are 714 suppliers of transit buses operating in the United States, the vast majority of which are dealers that operate either independently or under exclusive distribution agreements with manufacturers. While dealers make up the largest share of the supplier base, the majority of buyers purchase transit buses directly from manufacturers, which are better equipped to handle the large-volume orders and specific configurations that many municipalities require.

Manufacturers: IBISWorld estimates that manufacturers make up 2.0% of the

Supply Chain & Vendors

Competitive Environment continued

supplier base for transit buses, including large-scale, international companies like Daimler AG and AB Volvo. One of the main benefits of purchasing directly from a large-scale manufacturer is cost control. For example, Daimler AG is vertically integrated, meaning it produces many of the components used to construct its transit buses (e.g. chassis and engines). This vertical integration allows Daimler to maintain more control over its supply chain costs, thereby minimizing the risk of price shocks for buyers. In contrast, the smaller manufacturers that dominate the market (e.g. New Flyer Industries and Gillig LLC) operate primarily as second-stage producers, meaning they purchase the chassis, engine and other components from upstream suppliers and then create the body and assemble the bus. This fact means second-stage manufacturers expose buyers to more supply chain risk.

Buyers that need to purchase large fleets of transit buses, such as major cities, will get the best deal working with a manufacturer. Manufacturers have the capacity to fulfill the large-volume orders many cities require, and can work with municipal buyers to offer customizable advertising wraps, seat fabric and flooring. Still, because the manufacturing supplier base is highly concentrated, buyers have considerably less leverage when working with these suppliers. Cities with large-scale public transportation systems (e.g. New York, Los Angeles and Chicago) can leverage large-volume orders and long-term supply contracts to get the best possible price or value; however, smaller municipalities that purchase just a handful of transit buses every 10-15 years are usually better off negotiating with a dealer.

Vendor Statistics – Transit Buses

	US Product Market Share (%)	Market Share Performance (3-yr trend)	Total Revenue ($m)[1]	Profit Margin (%)	Financial Risk Level[2]
New Flyer Industries Inc.	>25	Increasing	1,451	3.5	High
Gillig LLC	>25	Increasing	250-500	N/A	N/A
AB Volvo	10-15	Increasing	37,229	7.5	Low
Navistar International Corp.	10-15	Steady	10,140	1.7	High
Daimler AG	<5	Steady	166,816	8.8	High
ABC Bus Companies Inc.	<5	Steady	100-250	N/A	N/A
Alliance Bus Group	<5	Steady	100-250	N/A	N/A
Creative Bus Sales Inc.	<5	Steady	<100	N/A	N/A
Forest River	<5	Steady	2,000-5,000	N/A	N/A
Midwest Transit Equipment Inc.	<5	Steady	100-250	N/A	N/A

1: Revenue refers to the latest financial year for which data is available. Private company revenue is expressed as a range.
2: Financial Risk Level is based on the Altman Z-Score, which uses a formula to predict a company's risk of bankruptcy. See Glossary for more details.

SOURCE: IBISWorld

Supply Chain & Vendors

Competitive Environment continued

Dealers: IBISWorld estimates the remaining 98.0% of the supplier base comprises dealers, which can operate either independently or under exclusive distribution agreements with manufacturers. In the case of the former, independent dealers effectively act as a wholesaler, negotiating with manufacturers to purchase a large volume of buses at competitive rates, which they pass to buyers in the form of lower prices. Further, because these suppliers operate independently, they usually have a wide product selection and can be more flexible with the prices they charge. Dealers that operate under exclusive agreements with manufacturers operate in a similar fashion; however, they generally have less flexibility in their pricing since they must market and sell buses according to the terms of the agreement set forth by their company and the manufacturer. Dealers are ideal suppliers for buyers purchasing only a small number of buses (e.g. small municipalities and businesses). Furthermore, dealers represent a much more fragmented area of the transit buses market, which means buyers enjoy a bit more leverage with these suppliers than they do with manufacturers.

Market Profitability

Profit Level	LOW
Profit Trend	RISING

The average profit margin for transit bus suppliers is low at 4.6% of revenue. Low profit margins are a reflection of the low level of product specialization. Transit buses are largely similar from one manufacturer to another, and, as such, suppliers must compete more heavily on price than product features. These factors put downward pressure on profitability, which is good for buyers; however, it limits suppliers' ability to offer discounts. In the past three years, average profit has increased slightly due to declining steel prices and higher demand.

Low profitability is also a reflection of the moderate financial risk of transit bus manufacturers. Several major suppliers are operating on negative profit margins and are at risk of bankruptcy. Furthermore, even the market's top supplier, New Flyer Industries, operates on a slim margin. Moderate financial risk is the result of profit that can vary widely from one order to the next based on factors like pricing, order size, type of bus and competition. Given the long buying lead time for transit buses, buyers should carefully assess the financial health of a supplier before signing a supply contract.

Switching Costs

Switching Costs	MEDIUM

Switching costs in this market are medium. Transit buses are purchased on an ad hoc basis; however, these purchases are usually under contracts that specify a minimum number of units, maintenance and repair work, and the option to purchase additional buses if the initial order meets expectations. Breaking these agreements will result in early termination fees, which can be substantial depending on the size of the contract. Furthermore, buyers will lose any guaranteed warranty service and maintenance work that was part of their contract, and will have to either pay for a third-party service provider or conduct these services using in-house staff. While moderate switching costs hinder buyer power, buyers can avoid these costs by carefully choosing a supplier at the outset

Supply Chain & Vendors

Switching Costs continued

and sticking with them through multiple contracts. In addition to avoiding switching costs, sticking with the same supplier enables buyers to garners discounts, and allows suppliers to become more adept at fulfilling the buyer's needs.

Purchasing Process

Buying Basics

Buying Lead Time: LONG

Buying Lead Time

The buying lead time for transit buses is long, typically taking more than one year from the time the request for proposal (RFP) is created and the buses are delivered and operational. The creation of the RFP is the first major step in the purchasing process, and it should detail all of the buyer's technical and contractual provisions. These provisions include, but are not limited to, propulsion and braking systems; minimum operating life; compliance with federal state and local regulations; and bidding and proposal requirements. Depending on the size and scope of the buyer's needs, drafting the RFP can be a time-intensive process; however, once an RFP is created, it can be used for subsequent purchases without much overhaul to save time.

The primary factors shaping lead time are order size and type. Once a supplier is chosen, it can take anywhere from six months to a year to build and ship the buses. This timeline is often longer for electric buses since the technology is still new and in development. As a result, suppliers have not yet made the significant inroads in electric bus manufacturing that they have with more established technologies like diesel and even natural gas buses.

Buyers should not fast track the creation of the RFP since getting their contractual and technical needs right will save them money and result in a higher quality product over the long term. Buyers can trim some lead time by choosing a supplier that operates in proximity to their city or county.

Selection Process

The purchasing process for transit buses is mixed. At the outset, engineers and other user-department staff work to compile the transit agency's technical specifications into the RFP, such as type of propulsion system, bus size and dimensions, and wheelchair and other accessibility requirements. Some of these specifications are required by federal law, such as Americans with Disabilities Act (ADA) requirements; however, cities and states have requirements specific to their area or region. For example, the Washington Metropolitan Area Transit Authority is just one of many transit agencies with accessibility provisions that go above and beyond ADA requirements. The user department must also consider their geographic situation. For example, narrow streets will require smaller buses or buses with a better turn radius. The user department must take these and other factors into consideration to get an accurate proposal from a supplier. After all technically qualified suppliers have been compiled, the procurement department whittles the list of qualified vendors down further based on factors such as price, customer service, value-added services and buying lead time.

Buying-Decision Scorecard

The Buying-Decision Scorecard outlines the key criteria a buyer should consider when purchasing this good or service. When weighing the importance of each factor, we assume that a buyer has narrowed down potential suppliers to those that meet the technical and price criteria specified in the RFP. The criteria and weights assigned below can be used as guidelines to help further differentiate already qualified vendors.

Purchasing Process

Buying Basics continued

Buying-Decision Scorecard

Factor	Weight (%)	Description
Technical Factors	**65.0**	
Product Performance	35.0	Transit buses should meet or exceed their 12-year operating life without any major engine problems or other mechanical or electrical issues. In addition, they should be equipped with reliable safety features and be resistant to corrosion and other wear and tear. Buyers should look to the supplier and bus model's history and reputation when assessing product performance.
Customer Service	15.0	Buyers should choose a supplier with a solid reputation for customer service, including the fulfillment of warranty obligations, timely repair and maintenance work and on-time deliveries.
Range of Options	15.0	Transit buses are manufactured on a made-to-order basis, and as such, suppliers should be able to accommodate the needs of different transit agencies when it comes to bus size, propulsion system and more.
Cost	**35.0**	
Price	35.0	Because transit buses are largely homogeneous products, price is a major point of consideration for buyers. Buyers typically choose the technically qualified vendor with the lowest price.
Total	**100.0**	

Key RFP Elements

Specific information to impart to suppliers in the RFP includes:

- Technical specifications of the bus, including type of chassis, engine, dimensions, number of seats, accessibility requirements, fuel efficiency and more
- Minimum number of buses to be ordered, with options for additional buses if initial order meets or exceeds expectations
- Whether or not a pilot bus is required
- Warranty, repair and maintenance requirements
- The date by which the order needs to be delivered

Specific information to gather from suppliers in the RFP includes:

- Supplier's operational history, including previous bid awards and number of years in business
- Case studies on product quality and reliability
- Information on where the supplier sources components to ascertain product quality and to ensure the supplier's compliance with the federal government's Buy America requirements.
- The supplier's history as it pertains to on-time deliveries

Purchasing Process

Key RFP Elements continued

Standard Elements in an RFP	
Overview & Scope	This tells the vendor about your company, why your company needs this product and what you hope to achieve from its purchase. Deadlines for steps in the procurement process should be clearly defined in the section.
Vendor Qualification	This section details the features a winning company must possess, such financial size, scope of work completed or geographical reach. This section will also explain the criteria used in evaluating the bid and its relative importance in your scorecard. This section might disqualify some companies, such as suppliers to your competitors.
Technical Specifications	This section details the technical and functional specifications of the product you want. The more detail provided, the shorter the procurement cycle since all vendors are bidding to the same, exact specifications. Further, if all needs are specified there is less chance of additional costs will surface down the road. This section will also look at service level agreement needs.
Financial Factors	This section is where vendor quotes prices for the product or service being supplied. This section should specify cost breakdowns, billing frequency (with specific dates, time periods), billing methods (mode of payment, including currency) and taxes.
Legal Framework	This section should reference the legal jurisdiction in the event of a dispute, methods for arbitration and contract termination mechanisms. Nondisclosure agreements are also part of this section, as are escrow agreements (mainly in the event of shared proprietary knowledge).

Negotiation Questions

Issue	Questions
Reliability: Transit buses should be built to operate reliably for at least 12 years and should not have any major mechanical or electrical issues for the first 300,000 miles.	• What is the average operating life of your buses? • How does this average lifespan compare to that of your competitors? • What testing procedures do you employ to ensure the bus's longevity? • What testing procedures do you employ to ensure safety?
Product Delivery: Buyers should choose a supplier with a history of on-time deliveries; late shipments can result in insufficient service on bus routes.	• What is your average on-time delivery rate? • What are the most common reasons for late deliveries? • How will I be compensated if my shipment is late? • What is your delivery schedule, and can buyers develop customized delivery schedules?
Regulation: Buyers should ensure that the bus they purchase complies with all applicable federal, state and local regulations.	• How do you keep up to date with changes in local, state and federal environmental regulation? • What percentage of your buses' components are made in the United States? • How do you ensure compliance with the Federal Transit Administration's Buy America requirement? • How will increasing Buy America standards impact the prices you charge? • How do you ensure compliance with Americans with Disabilities Act requirements?
Warranty: Buyers should inquire about warranty services, which can save money on repair and maintenance costs.	• What do your warranty services cover, and what do they not cover? • What is the duration, in terms of mileage, of your warranties for parts? • Do I have the option of purchasing additional coverage? • What events or circumstances would void my warranty?
Repair & Maintenance: Transit buses require repair and maintenance services as they age. Buyers should make sure suppliers can provide these services over the long term to maximize the bus's useful life.	• What kinds of repair and maintenance plans do you offer and how much do they cost? • Will you be able to provide spare parts and other necessary equipment and supplies for the entirety of the bus's operating life? • What is your typical response time for service requests? • How will I be compensated if you cannot complete a service request in the allotted time?
Customer Service: Purchasing transit buses is a lengthy process that requires consistent back and forth communication between the buyer and supplier. As such, excellent customer service is a must for buyers.	• Do clients have a dedicated account manager or do they call a general support line? • Do you offer 24/7 customer account/technical support? • What is your process for dealing with customer problems and complaints? Do you have an escalation process? • What is the size of your typical client? Where do we fit in? Does size determine how and by whom an account is managed?
Supply Chain & Financial Risk: Buyers should assess a supplier's financial and supply chain risk before signing a contract because a variety of financial and supply chain issues can occur during the long buying lead time.	• How do you manage risk in your supply chain? • Who are your most important suppliers? How long have you been in business with them? • Has your company ever been at risk of bankruptcy? • How does your company stay profitable during economic downturns?

Buyer Power Score Components

Price Trend

Factor	Definition	Weight	Score
Recent Price		40%	4
Favorable	Compound annual growth rate in benchmark price over the past three years 0.1-1.4%		
Forecast Price		60%	3
Neutral	Compound annual growth rate in benchmark price in the next three years 1.5-3.0%		
Weighted Score		**50%**	**3.4**

Market Structure

Factor	Definition	Weight	Score
Availability of Substitutes		35%	1
Low	There are few viable substitutes for this product/service		
Market Share Concentration		25%	1
High	The top four suppliers of this product/service have equal to/greater than 50% market share		
Product Specialization		25%	5
Low	The product/service is assessed as having a low level of specialization		
Switching Costs		15%	3
Medium	The cost of switching from this product and/or supplier is assessed as medium		
Weighted Score		**20%**	**2.3**

Market Risk

Factor	Definition	Weight	Score
Price Driver Volatility		25%	3
Medium	Average absolute difference in percentage change of external drivers 2.0-3.4%		
Recent Price Volatility		25%	4
Medium-Low	Average absolute difference in % change in price over last 3 years 1.0-1.9%		
Vendor Financial Risk		25%	3
Medium	The average level of financial risk for product/service vendors is assessed as medium		
Supply Chain Risk		25%	3
Medium	The average level of product/service supply chain risk is assessed as medium		
Weighted Score		**30%**	**3.3**

Overall Buyer Power Score 3.1

IBISWorld's Buyer Power Score is a calculation based on weighted quantitative and qualitative factors that measure a buyers' ability to negotiate lower prices and favorable contract terms. The higher the Buyer Power Score, the greater the average buyer's negotiating strength for this product. The overall score is composed of three components:
1) **Price Trend:** compares this product's average recent and forecast price change to the economy-wide inflation rate
2) **Market Structure:** assesses the availability of alternatives and ease of purchasing in this product's marketplace
3) **Market Risk:** measures elements of volatility and risk impacting a buyer's confidence in making long-terms deals with suppliers of this product.

Jargon & Glossary

Jargon

Chassis The frame of a motor vehicle, often supplied to transit bus manufacturers via a third party.

Compressed Natural Gas (CNG) CNG stands for compressed natural gas, and is an alternative fuel made by compressing natural gas to less than 1.0% of its normal volume.

Second-Stage Manufacturer An alternative fuel made by compressing natural gas to less than 1.0% of its normal volume.

Floor Design Transit buses come with either a high-floor design (in which riders walk up stairs to enter the bus), or with a low-floor design (in which there are no steps between the entrance and passenger area).

Pilot Bus One or several test buses ordered by a transit agency that allows them to assess whether or not the bus can meet their transportation needs without committing to a full order. Pilot buses are often used when cities transition from traditional diesel buses to CNG, hybrid or electric buses.

Glossary

HS The Harmonized Commodity Description and Coding System is maintained by the World Customs Organization as a standardized system of names and numbers for classifying traded products.

Life Cycle All products and services go through periods of growth, maturity and decline. IBISWorld determines a life cycle by considering factors such as pricing trends, the level and speed of product or service change, the extent of a product's distribution and the maturity of marketing trends.

Market Share Concentration Determined by the market share of the top four vendors for a given product or service: high is when the top four vendors account for more than 50.0% of the product or service market share, medium is from 30.0% to 50.0%, and low is less than 30.0%.

NAICS The North American Industry Classifications System is the standard by which industries (not products) in the United States, Canada and Mexico are classified.

Price Driver Volatility Level Determined by the average absolute difference in the percentage change of input cost items and external demand drivers over the past three years: high is 3.5% or greater for all drivers, medium is from 2.0% to 3.4% for all drivers, and low is 1.9% or less for all drivers.

Price Range The difference between the upper and lower price bounds divided by the benchmark price: wide is greater than 50.0%, medium is from 25.0% to 50.0%, and narrow is less than 25.0%.

Price Volatility Level Determined by the average absolute difference in the percentage change of the benchmark price over the past three years: high is 3.5% or greater, medium is from 2.0% to 3.4%, and low is 1.9% or less.

Producer Price Index (PPI) This index represents the change in the amount that producers receive for their products or services, as opposed to the prices that consumers pay for them.

Profit IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

Profit Level Determined by the average profitability of the industry in which a product or service vendor operates, compared to the average profit margin for all industries in the US. There are around 700 industries in the US classified using the NAICS taxonomy (see NAICS).

Total Cost of Ownership Level Determined by the total cost of ownership as a percentage of the benchmark purchase price per year: high is when the total cost of ownership is greater than 100.0% of the benchmark purchase price per year, medium is from 50.0% to 100.0%, and low is less than 50.0%.

UNSPSC Coding for each report title is based primarily on the United Nations Standard Products & Services Code. The code is a hierarchical classification codeset of expenditure items.

Wages The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.

Z-Score The Altman Z-score formula is used to help predict a company's chances of going bankrupt within the next two years. The Z-score uses multiple corporate income and balance sheet values to measure the financial health of a company. Z-scores above 2.9 are defined as having a low financial risk level; scores between 1.23-2.9 are at a medium risk level and scores below 1.23 are a high financial risk level.

Ethics, Conflict of Interest & Public Contracting

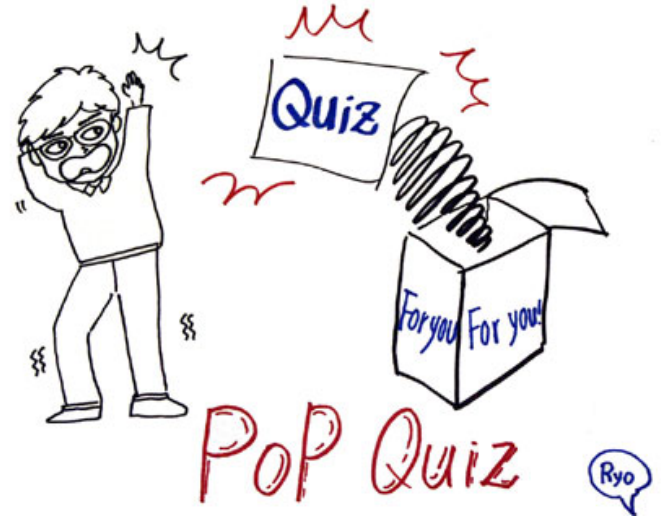
BY: KRISTIN DENMARK

THORP, PURDY, JEWETT, URNESS & WILKINSON, P.C.

Overview

1. Conflicts of Interest *
   a. Federal and State laws/rules
   b. Potential v. Actual Conflict of Interest
2. Gifts
   1. Federal and State laws/rules
3. Conflict of Interest Policy and Annual Disclosure Form

Part 1: Conflict of Interest



Conflicts of Interest When Federal Funds May Be Involved

Board members are prohibited from participating in the selection, award, or administration of a contract supported with assistance from the Federal Transit Administration if a conflict of interest, real or apparent, would be involved. Such a conflict arises when:

1. The Board member;
2. Any member of the Board member's immediate family;
3. The Board member's partner; or
4. The Board member's employer or prospective employer

has a financial or other interest in the entity awarded a contract with LTD.

Question 1

CONFLICT OF INTEREST WHEN FEDERAL FUNDS ARE OR MAY BE INVOLVED

Board Member Megan is married to Bob. Bob works as a finance manager at Speak Easy, a marketing consulting firm. LTD has solicited Requests for Proposals for an advertising campaign. Bob did not participate in preparing Speak Easy's proposal and would not provide services under the proposal. After a team evaluated the proposals received, it was determined that Speak Easy's proposal would be most advantageous to the District. LTD staff is recommending the Board authorize the General Manager to enter into a contract with Speak Easy.

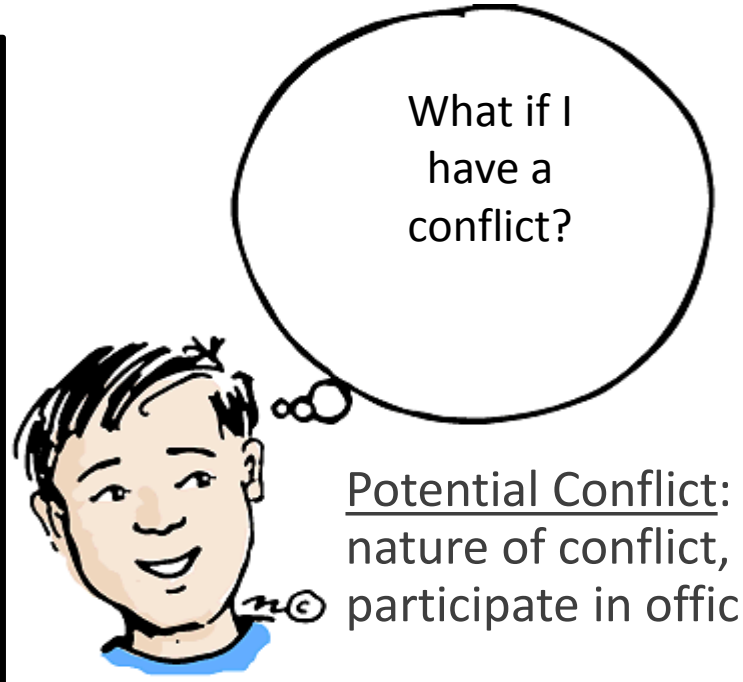
Can Board Member Megan vote on whether to authorize the General Manager to enter into a contract with Speak Easy?

1. Bob is Board Member Megan's immediate family (her husband).
2. He has a "financial or other interest" in Speak Easy as an employee.
3. Megan has a Conflict of Interest. She is prohibited from participating in the award of a contract.

No. Megan should publicly announce the nature of her conflict; refrain from further participation and do NOT vote.

Conflicts of Interest Under Oregon Law

An ***actual/potential*** conflict of interest means any action or any decision or recommendation by a person acting in a capacity as a public official, the effect of which ***would/could*** be to the <u>private pecuniary benefit or detriment</u> of the <u>person</u> or the <u>person's relative</u> or any <u>business</u> with which the person or relative of the person is associated.



<u>Potential Conflict</u>: Generally, announce nature of conflict, but may continue to participate in official action on the issue.

<u>Actual Conflict</u>: Generally, announce nature of conflict and refrain from further action on the issue.

Question 2

CONFLICT OF INTEREST UNDER OREGON LAW

Board Member Charlie's brother, Dennis, owns a small sheetrock contracting business. LTD plans to update its administrative building. Staff presents options to the Board: (1) Do an Invitation to Bid for a General Contractor; or (2) Directly manage all the smaller contracts, which would include a contract for sheetrock work. Charlie is sure his brother Dennis would put in a bid on the sheetrock work.

Can Board Member Charlie participate in the discussion regarding updates to the administrative building?

1. Charlie's relative (Dennis) has a financial interest in his business.

2. The discussion regarding what contracting option to pursue could result in a private pecuniary benefit to Dennis's business.

3. Charlie has a Potential Conflict of Interest.

Yes. Charlie should publicly announce the nature of his conflict, but he may participate in discussion and, if there is a vote, he may vote.

Question 3

CONFLICT OF INTEREST WHEN FEDERAL FUNDS MAY BE INVOLVED

Board Member Charlie's brother, Dennis, owns a small sheetrock contracting business. LTD plans to update its administrative building. Staff presents options to the Board: (1) Do an Invitation to Bid for a General Contractor; or (2) Directly manage all the smaller contracts, which would include a contract for sheetrock work. Charlie is sure his brother Dennis would put in a bid on the sheetrock work.

Can Board Member Charlie participate in the discussion regarding updates to the administrative building?

1. Charlie's relative (Dennis) has a financial interest in his business.

2. The discussion regarding what contracting option to pursue could result in a private pecuniary benefit to Dennis's business.

3. Charlie has a Potential Conflict of Interest.

No. Charlie should publicly announce the nature of his conflict; refrain from further participation and do NOT vote.

Part 2: Gifts

What is a Gift?

Under Oregon law, a "gift" is defined as:

1. Something of value
2. Given to a Board member, relative, or household member
3. For free or discounted
4. Which is not offered on the same term to "others"

What if I am offered a gift?

A 4-Step Analysis

1. Do you know who gave you the gift? ("The Source")
2. Does the source have a legislative or administrative interest in <u>you</u>?
   a. No? Stop analysis, accept gift!
   b. Yes, Continue.

A source has a "legislative or administrative interest" in a Board member when the source has:

- An <u>economic interest</u> distinct from that of the general public; and
- In any matter that <u>is or would be</u> subject to the <u>decision or vote</u> of the Board member

What if I am offered a gift?

A 4-Step Analysis

3. Does the gift fall under an exception that allows you to accept?
   a. Yes? Stop analysis, accept gift!
   b. No? Continue.
4. What is the value of the gift?
   a. $50 of gifts per year per source with a legislative or administrative interest in you

Question 4

GIFT ANALYSIS UNDER OREGON LAW

LTD is soliciting proposals for an on-call engineer. Mike McCullough owns Nuts and Bolts, a well-respected engineering firm out of Springfield. His firm will be submitting a proposal. He offers to purchase a seat at the Chamber of Commerce dinner for Board Member Dave. The seat is $60 and represents the cost of admission and food. Board Member Dave will be attending the Chamber dinner in his official capacity, representing LTD.

Can Board Member Dave accept the gift of $60 for admission and food at the Chamber of Commerce dinner?

1. The Source: Mike of Nuts and Bolts
2. He has a legislative or administrative interest in Board Member Dave.
3. The gift falls under an exception: admission/food when Board member is representing LTD

Yes. Dave CAN accept the gift, even though it's more than $50 and even though it's from a source with a legislative/administrative interest in him because it is excluded from the definition of gift.

Question 5

BACK TO CONFLICT OF INTEREST WHEN FEDERAL FUNDS ARE INVOLVED

LTD is soliciting proposals for an on-call engineer. Mike McCullough owns Nuts and Bolts, a well-respected engineering firm out of Springfield. His firm will be submitting a proposal. He offers to purchase a seat at the Chamber of Commerce dinner for Board Member Dave. The seat is $60 and represents the cost of admission and food. Board Member Dave will be attending the Chamber dinner in his official capacity, representing LTD. Assume the contract will be paid with federal funds.

Can Board Member Dave accept the gift of $60 for admission and food at the Chamber of Commerce dinner?

1. A personal conflict of interest arises when a Board member accepts gifts, gratuities, favors, or anything of monetary value from a contractor or potential contractor.

2. Federal law allows acceptance of gifts where the interest is "not substantial" (i.e. under the $50 gift limit).

3. Although excluded from the definition of "gift" under Oregon law, no such exclusion exists when federal funds are involved.

4. Over $50 gift from a potential contractor.

No. Dave should NOT accept the gift. If he does, he will have a conflict of interest and will have to publicly announce the conflict and refrain from participation.

Disclosure Requirements

Help Us, Help You. Disclosure Your Conflicts.

- All actual and potential conflicts of interest shall be disclosed by Board members:
  - To the General Manager through the Annual Disclosure Form; and
  - To the Board whenever a conflict of interest arises.
- Oregon law requires Board members to file with the Oregon Government Ethics Commission a verified statement of economic interest (SEI) or on before April 15 every year.

Thank you!

Questions?

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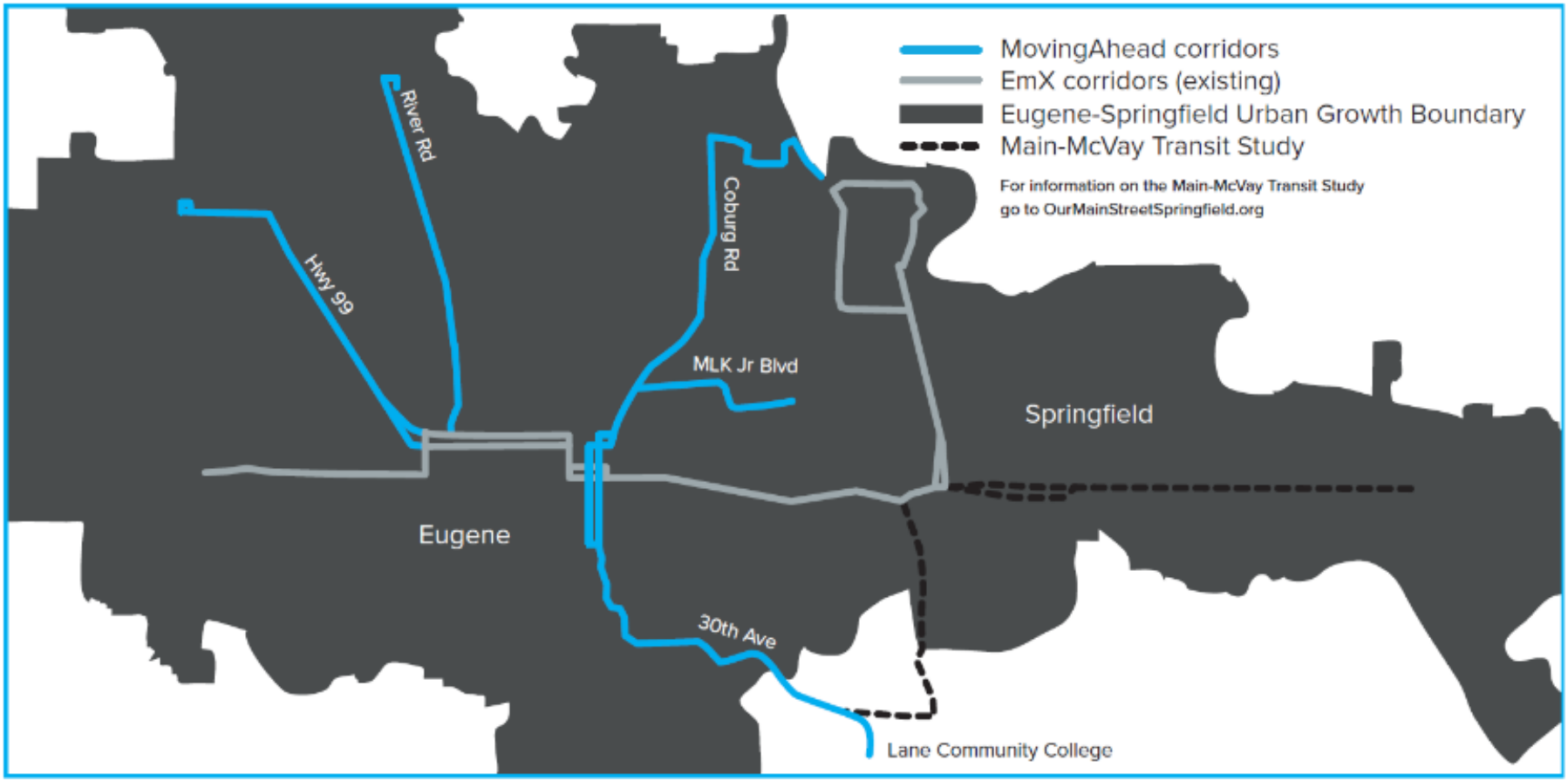
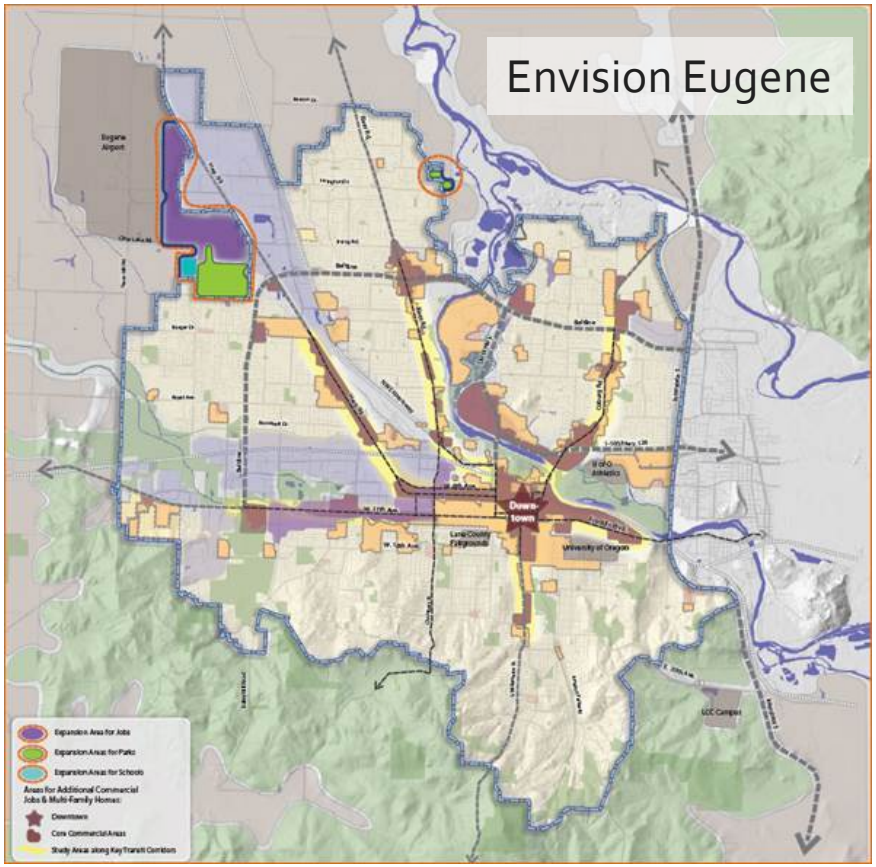
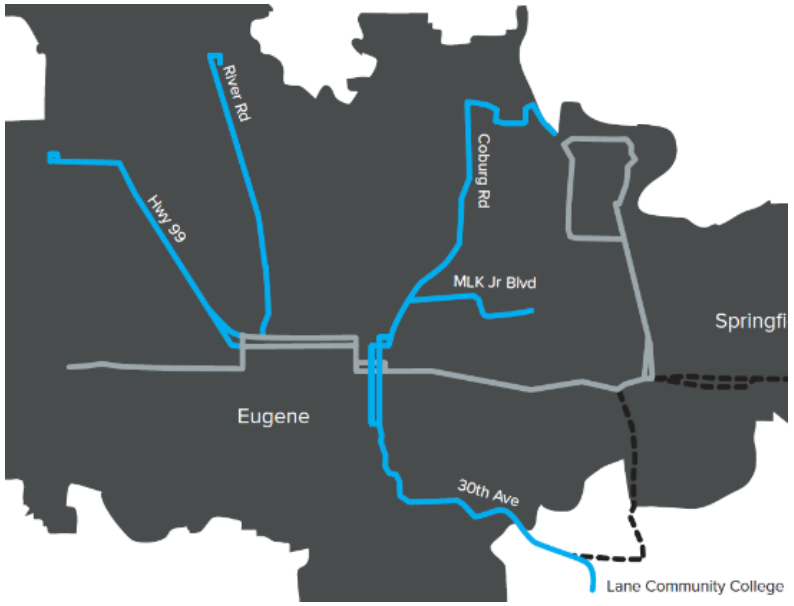
541-747-3354

MovingAhead.org


MovingAhead corridors
EmX corridors (existing)
Eugene-Springfield Urban Growth Boundary
Main-McVay Transit Study
For information on the Main-McVay Transit Study
go to OurMainStreetSpringfield.org
River Rd
Hwy 99
Coburg Rd
MLK Jr Blvd
Springfield
Eugene
30th Ave
Lane Community College

Integrating Land Use and Transportation Planning





MovingAhead

STREETS AND PLACES REIMAGINED

Changing the Conversation

System-level, multi-modal, integrated

"How will we construct BRT in the corridor?"

"What role does transit play in the community's vision for your corridor?"

MovingAhead

STREETS AND PLACES REIMAGINED

Range of Transit Choices

Fixed route service **Enhanced corridor** **Comprehensive EmX**

Service frequency →

Improvements to enhance reliability on congested streets →

Rider amenities at stops/stations →

Transportation for Everyone

Safe and accessible transportation for people riding the bus, walking, biking, or driving.

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STREETS AND PLACES REIMAGINED

New Approach to Corridor Development

- Look at multiple corridors at one time
- Better integrate transportation, land use, and environmental planning
- Full collaboration with partner agencies
- Scalability
- Effectively change community conversation

MovingAhead
STREETS AND PLACES REIMAGINED

Past engagement: Input

- Designs came directly from the corridor communities

If we come back in 20 years and we've been successful in this corridor, what kind of place is it? How are people getting around?

Upcoming engagement: feedback loop

- Open houses
- Online open house
- Surveying
- Neighborhood meetings
- Listening sessions
- Tabling
- Corridor outreach
- Targeted outreach

MovingAhead
STREETS AND PLACES REIMAGINED

Decision-Making Process

- **Oversight Committee:** City Councilors, LTD Board members, County Commissioner, and staff from LTD, the City of Eugene, Lane County, and ODOT
- **Sounding Board:** representatives of existing LTD and City committees and commissions
- **Project Management Team:** Eugene Public Works, Eugene Planning, and LTD staff

MovingAhead
STREETS AND PLACES REIMAGINED

Phase 1 final outcome

Selection of a preferred investment package of multimodal improvements

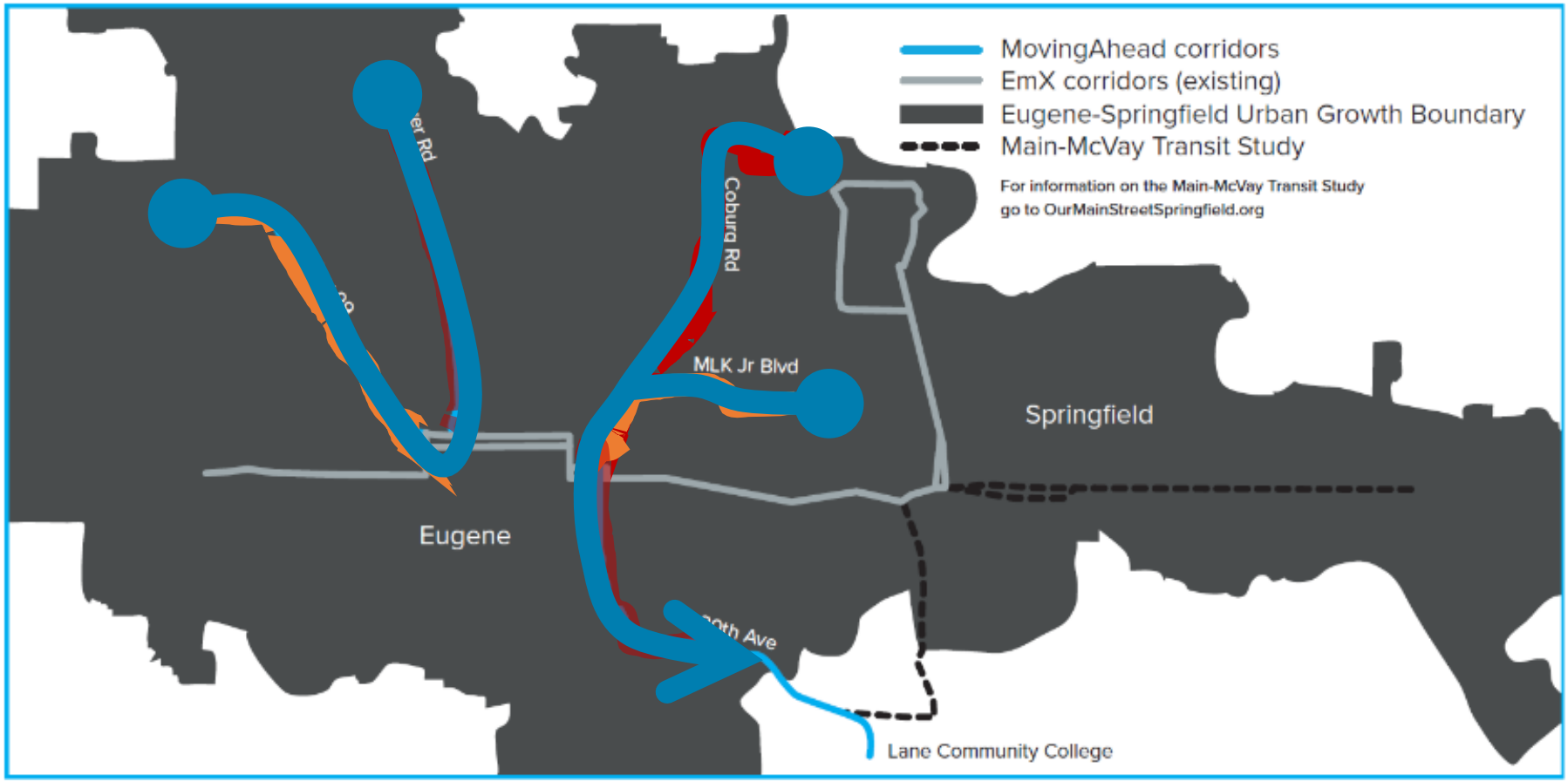
MovingAhead

STREETS AND PLACES REIMAGINED

Selecting Preferred Investment Package

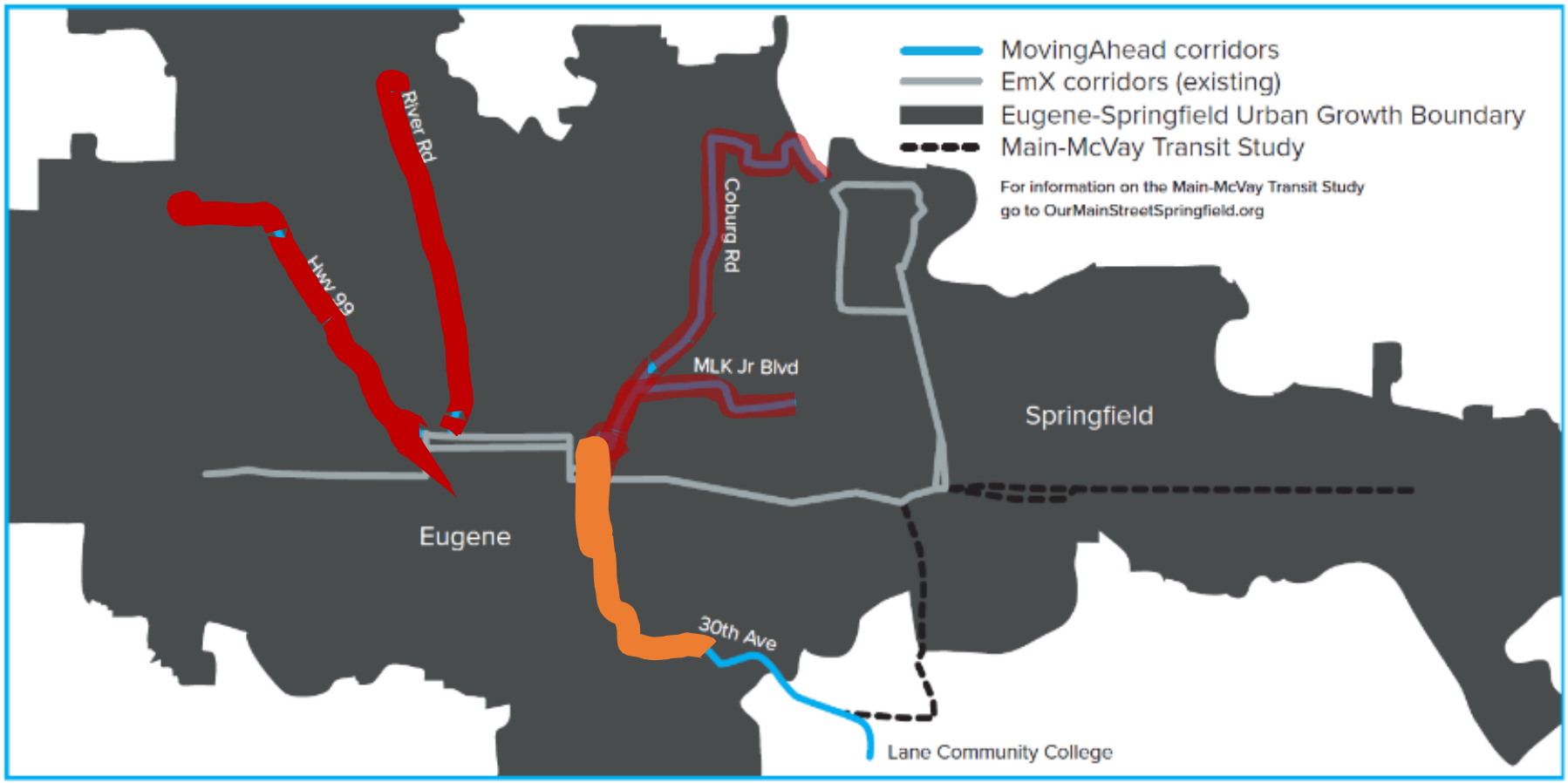
MovingAhead
STREETS AND PLACES REIMAGINED

New process – evaluate packages



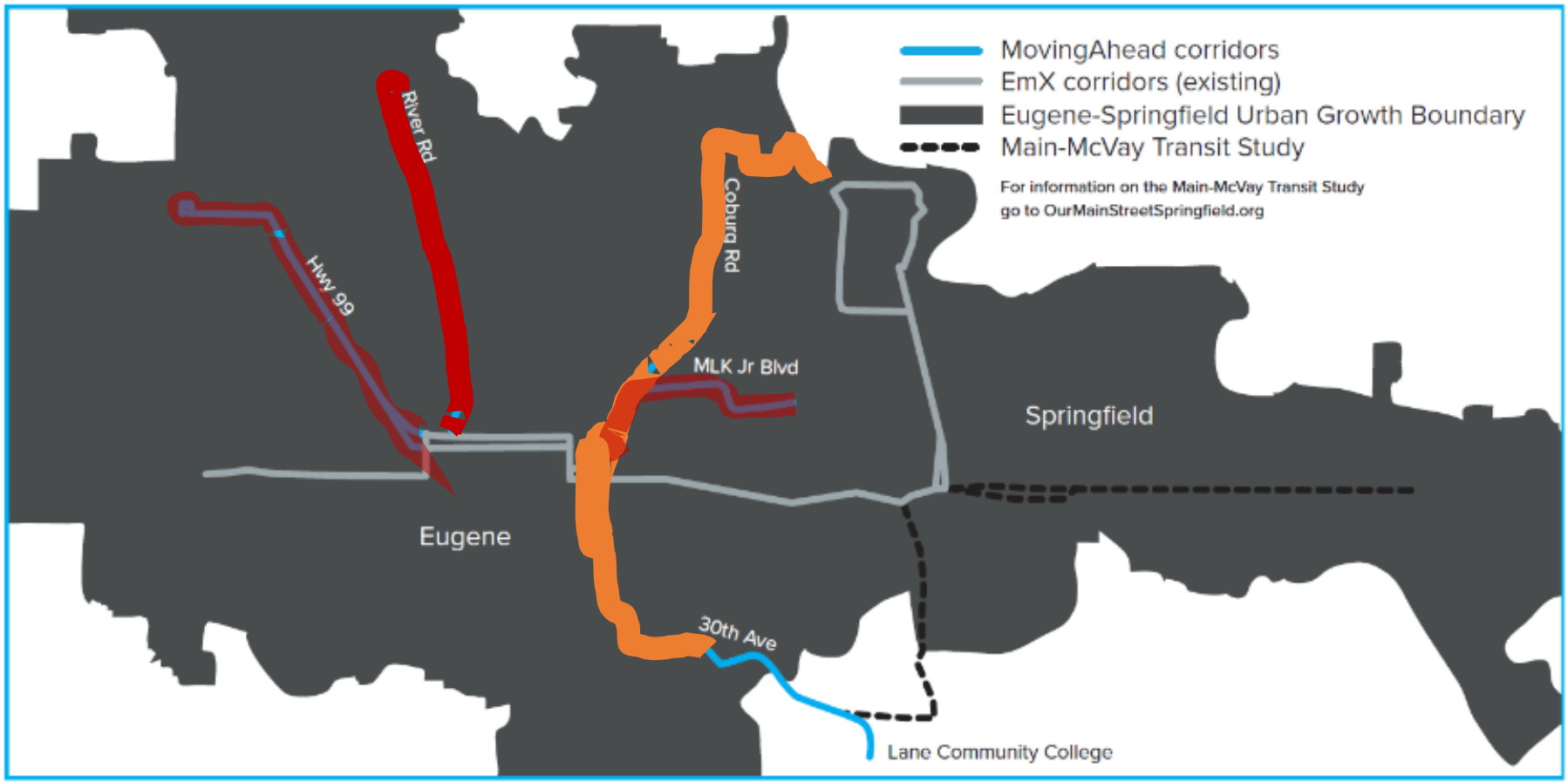
Illustrative Examples

New process – evaluate packages



Illustrative Examples

New process – evaluate packages



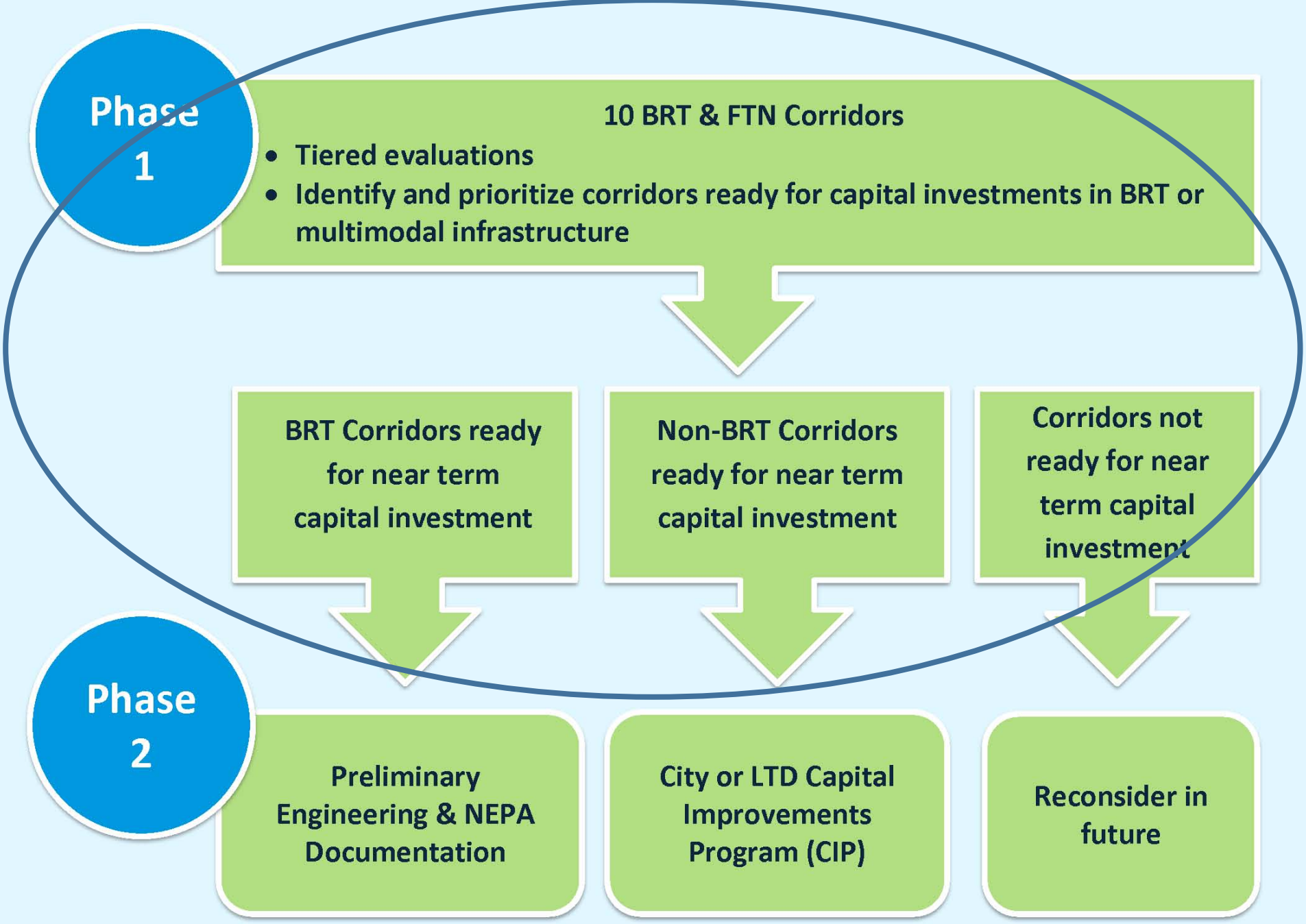
Illustrative Examples

Project Schedule

MovingAhead Project Schedule	2018											
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Technical Work												
Complete Alternatives Analysis (AA) Draft												
Values public opinion poll												
Internal staff review												
Final editing, layout, and graphics												
Publish draft AA								★				
Public Engagement												
Audience building /engagement												
Targeted outreach												
1st public comment period												
Corridor-specific open houses												
2nd public comment period												
Community-wide open house												
Decision Making Process												
Sounding Board												
Strategic Planning Committee												
Oversight Committee												
Eugene City Council/LTD Board											★	

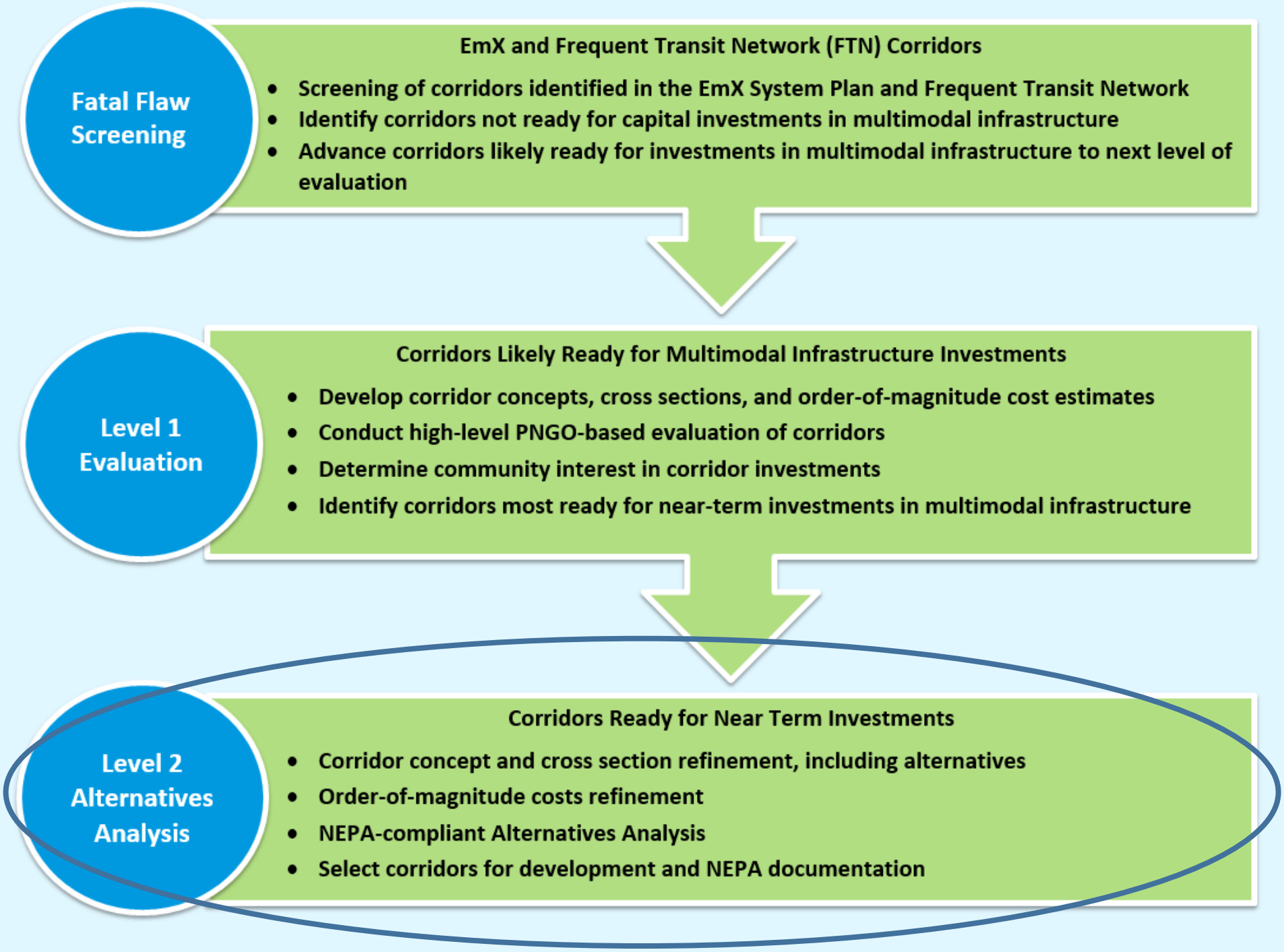
MovingAhead

STREETS AND PLACES REIMAGINED


Phase 1
10 BRT & FTN Corridors
Tiered evaluations
Identify and prioritize corridors ready for capital investments in BRT or multimodal infrastructure
BRT Corridors ready for near term capital investment
Non-BRT Corridors ready for near term capital investment
Corridors not ready for near term capital investment
Phase 2
Preliminary Engineering & NEPA Documentation
City or LTD Capital Improvements Program (CIP)
Reconsider in future

Questions + Discussion

MovingAhead
STREETS AND PLACES REIMAGINED


Fatal Flaw Screening
EmX and Frequent Transit Network (FTN) Corridors
Screening of corridors identified in the EmX System Plan and Frequent Transit Network
Identify corridors not ready for capital investments in multimodal infrastructure
Advance corridors likely ready for investments in multimodal infrastructure to next level of evaluation
Level 1 Evaluation
Corridors Likely Ready for Multimodal Infrastructure Investments
Develop corridor concepts, cross sections, and order-of-magnitude cost estimates
Conduct high-level PNGO-based evaluation of corridors
Determine community interest in corridor investments
Identify corridors most ready for near-term investments in multimodal infrastructure
Level 2 Alternatives Analysis
Corridors Ready for Near Term Investments
Corridor concept and cross section refinement, including alternatives
Order-of-magnitude costs refinement
NEPA-compliant Alternatives Analysis
Select corridors for development and NEPA documentation

Original process

Step 1

Select 1 Alternative for each Corridor

Step 2

Prioritize selected Alternatives
1..2..3...4...5

MovingAhead
STREETS AND PLACES REIMAGINED

Project Development and Reporting

February 21, 2018

Capital Improvement Program (CIP)

Schedule

Aug	Draft CIP
Sept	30-day public comment period begins
Oct	Public hearing on CIP Budget Committee reviews CIP
Nov	Board adopts CIP
April	Budget with CIP for Capital Projects Fund Budget Committee reviews budget
May	Board of Directors adopts a budget
July 1	Fiscal year begins

PROJECT DEVELOPMENT

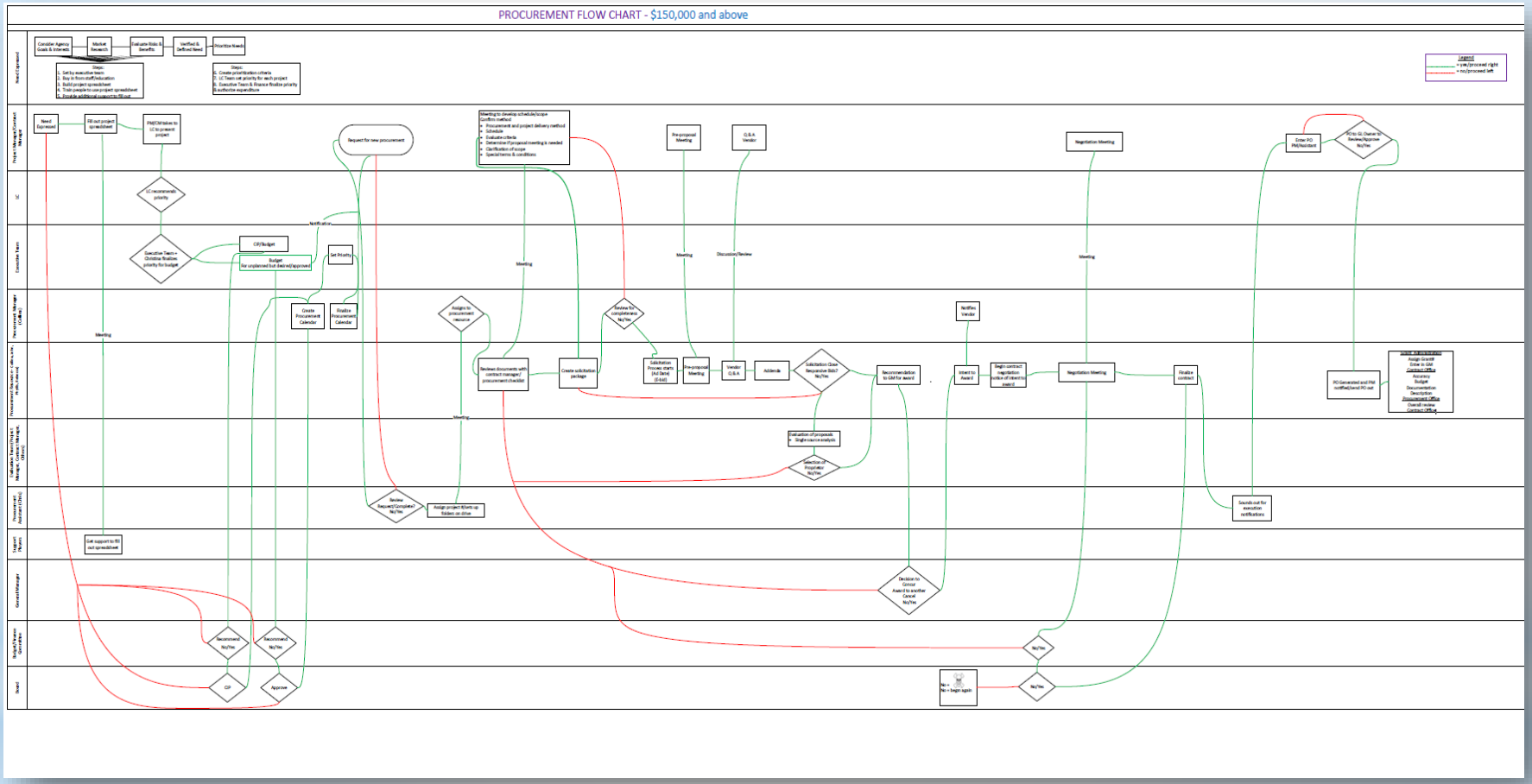
Capital Improvement Program (CIP)

1. **Objectives:**
   a. Facilitate the efficient use of LTD's limited financial resources, and
   b. Implement regional priorities that anticipate the need for public transportation in the future.
2. **Projects classifications:**
   a. State of Good Repair
   b. Community Investment
   c. Grant funded non-capital

Project Funding Decision

1. Project Deferral Implication
2. Feasibility of Implementation
3. Operating Budget Impact
4. Ridership/Quality of Service Delivery
5. Economic Impact
6. Environmental impact

Process Improvement



IBIS World Tool

1. Comprehensive reports with up-to-date content
2. Reports contain statistics and analysis on market characteristics, operating conditions, current and historical performance and major industry players.
3. Reports include 5-year forecasts that help to make business decisions better and faster

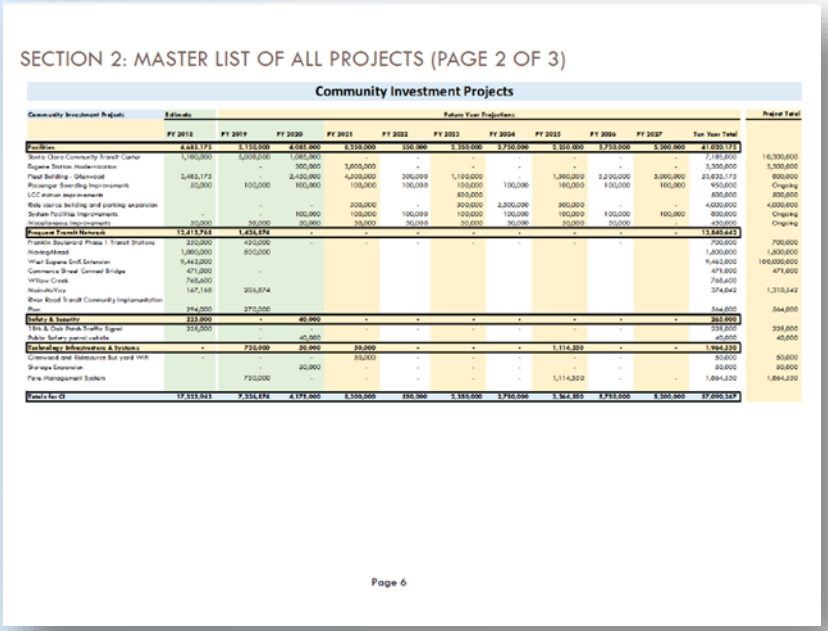
FACILITIES MANAGEMENT

General Design Philosophy

1. Design Quality
2. Life Expectancy
3. Frequent Changes
4. Cost Effectiveness
5. Building Maintenance
6. Art in Architecture

PROJECT REPORTING

Community Improvements



SECTION 2: MASTER LIST OF ALL PROJECTS (PAGE 2 OF 3)

Community Investment Projects

Community Investment Projects	Estimate	Future Year Projections										Project Total
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Ten Year Total	
Facilities	4,685,173	5,150,000	4,085,000	8,550,000	350,000	5,350,000	3,750,000	3,350,000	3,750,000	5,300,000	41,920,173	
Santa Clara Community Transit Center	1,160,000	5,000,000	1,085,000	-	-	-	-	-	-	-	7,185,000	10,300,000
Eugene Station Modernization	-	-	300,000	5,000,000	-	-	-	-	-	-	5,300,000	5,300,000
Fleet Building - Glenwood	2,485,173	-	2,420,000	4,200,000	200,000	1,100,000	-	1,300,000	2,200,000	3,000,000	23,830,173	800,000
Passenger Boarding Improvements	50,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	950,000	Ongoing
LCC station improvements						800,000					800,000	800,000
Ride sharing building and parking expansion		-	-	200,000	-	300,000	2,500,000	900,000	-	-	4,000,000	4,000,000
Station Facilities Improvements			100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	800,000	Ongoing
Miscellaneous Improvements	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	-	450,000	Ongoing
Frequent Transit Network	12,413,768	1,436,574	-	-	-	-	-	-	-	-	13,850,442	
Franklin Boulevard Phase 1 Transit Stations	200,000	450,000	-	-	-	-	-	-	-	-	700,000	700,000
MovingAhead	1,000,000	500,000									1,500,000	1,500,000
West Eugene EmX Extension	9,462,000										9,462,000	100,000,000
Commerce Street Connect Bridge	471,000	-									471,000	471,000
Willow Creek	765,600										765,600	
MobilityVoy	167,168	206,674									374,842	1,310,842
River Road Transit Community Implementation											-	
Pilot	394,000	270,000									664,000	664,000
Safety & Security	223,000	-	40,000	-	-	-	-	-	-	-	263,000	
18th & Oak Patch Traffic Signal	223,000	-	-	-	-	-	-	-	-	-	223,000	223,000
Public Safety patrol vehicle			40,000								40,000	40,000
Technology Infrastructure & Systems	-	730,000	50,000	50,000	-	-	-	1,114,550	-	-	1,944,550	
Glenwood and Eldemoore Bus yard Wifi	-	-	-	50,000	-	-	-	-	-	-	50,000	50,000
Shelter Expansion			50,000	-	-	-	-	-	-	-	50,000	50,000
Fare Management System		730,000	-	-	-	-	-	1,114,550	-	-	1,844,550	1,844,550
Totals for CI	17,322,941	7,316,574	4,175,000	8,550,000	350,000	5,350,000	3,750,000	5,364,550	3,750,000	5,300,000	67,000,347	

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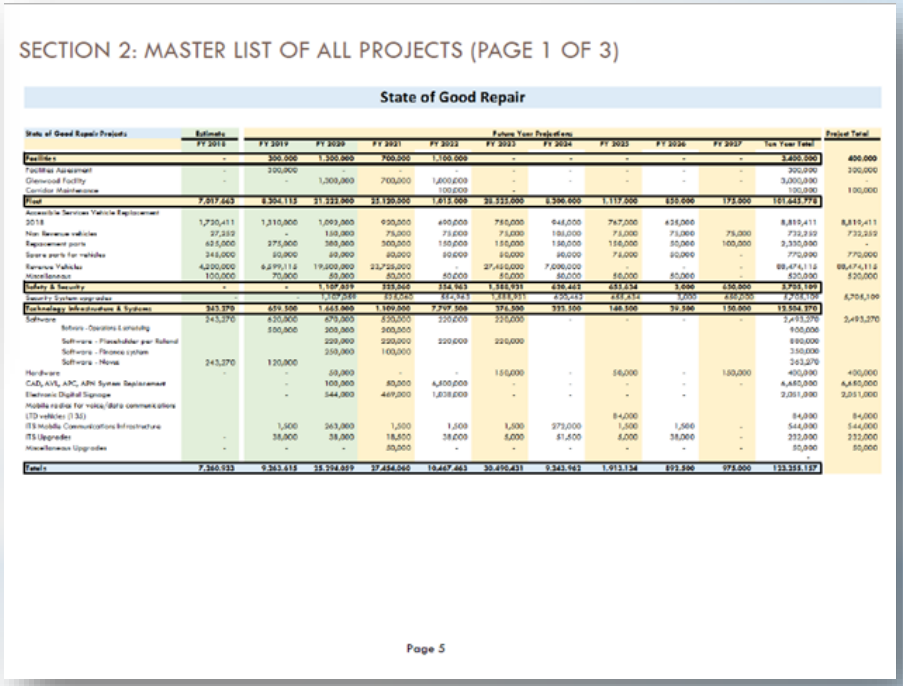
State of Good Repair



SECTION 2: MASTER LIST OF ALL PROJECTS (PAGE 1 OF 3)

State of Good Repair

State of Good Repair Projects	Estimate	Future Year Projections										Project Total
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Ten Year Total	
Facilities	-	300,000	1,300,000	700,000	1,100,000	-	-	-	-	-	3,400,000	400,000
Facilities Assessment	-	300,000	-	-	-	-	-	-	-	-	300,000	300,000
Glenwood Facility	-	-	1,300,000	700,000	1,000,000	-	-	-	-	-	3,000,000	-
Corridor Maintenance					100,000	-	-	-	-	-	100,000	100,000
Fleet	7,017,663	8,304,113	21,233,000	33,130,000	1,815,000	28,533,000	8,590,000	1,117,000	650,000	173,000	101,665,776	
Accessible Services Vehicle Replacement											-	
2018	1,730,411	1,310,000	1,093,000	930,000	600,000	765,000	946,000	767,000	636,000		8,810,411	8,810,411
Non Revenue vehicles	27,333	-	150,000	75,000	75,000	75,000	150,000	75,000	75,000	75,000	732,333	732,333
Replacement parts	625,000	275,000	300,000	300,000	150,000	150,000	150,000	150,000	50,000	100,000	2,350,000	-
Spare parts for vehicles	345,000	50,000	50,000	50,000	50,000	50,000	50,000	75,000	50,000		775,000	775,000
Revenue Vehicles	4,290,000	6,299,113	19,500,000	23,725,000	-	27,460,000	7,990,000	-	-	-	89,474,113	89,474,113
Miscellaneous	100,000	70,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000		520,000	520,000
Safety & Security	-	-	1,109,859	355,060	354,963	1,388,931	430,463	483,034	3,000	650,000	3,705,199	
Security System upgrades	-	-	1,109,859	874,060	854,963	1,888,931	430,463	483,034	3,000	650,000	6,706,199	6,706,199
Technology Infrastructure & Systems	343,370	659,500	1,665,000	1,109,500	7,749,500	376,500	333,500	148,500	39,500	150,000	12,554,370	
Software	343,370	630,000	670,000	830,000	220,000	220,000	-	-	-	-	2,493,370	2,493,370
Software - Operations Consulting		500,000	300,000	300,000							900,000	
Software - Placeholder per Roland			220,000	220,000	220,000	220,000					880,000	
Software - Process system			250,000	160,000							330,000	
Software - Novus	343,370	130,000									343,370	
Hardware	-	-	50,000	-	-	150,000	-	56,000	-	150,000	406,000	406,000
CAD, AVL, APC, ADN System Replacement		-	100,000	80,000	6,800,000	-	-	-	-	-	6,980,000	6,880,000
Electronic Digital Signage		-	344,000	469,000	1,038,000	-	-	-	-	-	2,051,000	2,051,000
Mobile radios for voice/data communications											-	
LTD vehicles (130)								84,000			84,000	84,000
ITS Mobile Communications Infrastructure		1,500	263,000	1,500	1,500	1,500	273,000	1,500	1,500	-	544,000	544,000
ITS Upgrades	-	28,000	38,000	18,500	38,000	5,000	51,500	8,000	38,000	-	232,000	232,000
Miscellaneous Upgrades	-	-	-	30,000	-	-	-	-	-	-	30,000	30,000
Totals	7,360,933	9,263,613	25,394,859	27,454,060	10,467,463	30,490,431	9,343,963	1,913,134	892,500	973,000	133,553,157	

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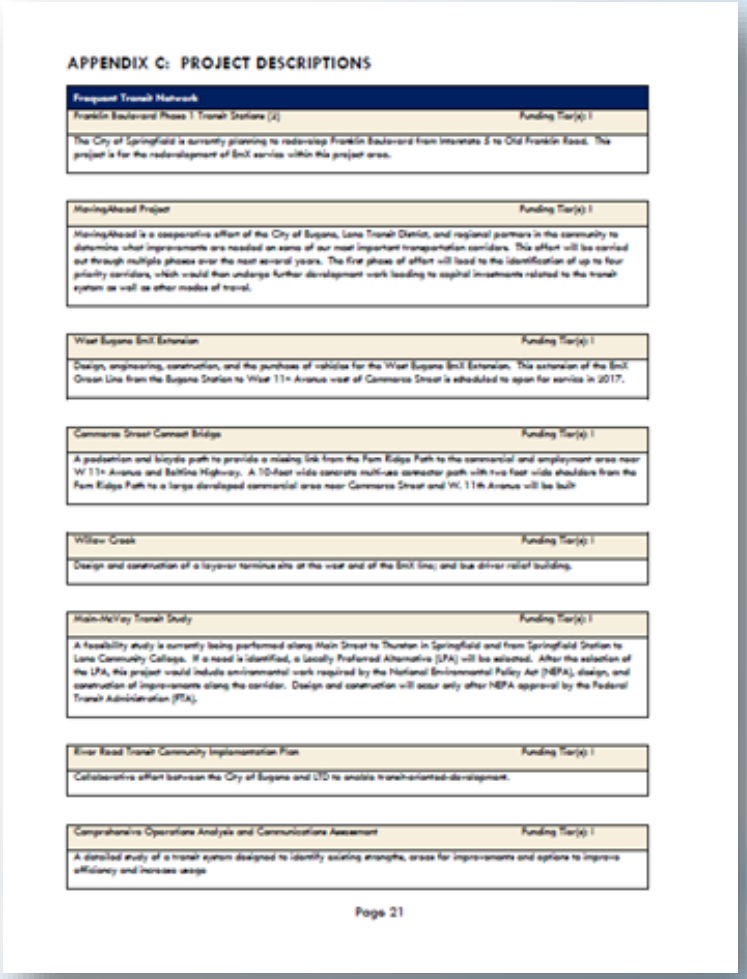
Current Project Description



APPENDIX C: PROJECT DESCRIPTIONS

Frequent Transit Network

Franklin Boulevard Phase 1 Transit Stations (2) — Funding Tier(s): I

The City of Springfield is currently planning to redevelop Franklin Boulevard from Interstate 5 to Old Franklin Road. This project is for the redevelopment of EmX service within this project area.

MovingAhead Project — Funding Tier(s): I

MovingAhead is a cooperative effort of the City of Eugene, Lane Transit District, and regional partners in the community to determine what improvements are needed on some of our most important transportation corridors. This effort will be carried out through multiple phases over the next several years. The first phase of effort will lead to the identification of up to four priority corridors, which would then undergo further development work leading to capital investments related to the transit system as well as other modes of travel.

West Eugene EmX Extension — Funding Tier(s): I

Design, engineering, construction, and the purchase of vehicles for the West Eugene EmX Extension. This extension of the EmX Green Line from the Eugene Station to West 11th Avenue west of Commerce Street is scheduled to open for service in 2017.

Commerce Street Connect Bridge — Funding Tier(s): I

A pedestrian and bicycle path to provide a missing link from the Fern Ridge Path to the commercial and employment areas near W 11th Avenue and Beltline Highway. A 10-foot wide concrete multi-use connector path with two foot wide shoulders from the Fern Ridge Path to a large developed commercial area near Commerce Street and W. 11th Avenue will be built

Willow Creek — Funding Tier(s): I

Design and construction of a layover terminus site at the west end of the EmX line; and bus driver relief building.

Main-McVay Transit Study — Funding Tier(s): I

A feasibility study is currently being performed along Main Street to Thurston in Springfield and from Springfield Station to Lane Community College. If a need is identified, a Locally Preferred Alternative (LPA) will be selected. After the selection of the LPA, this project would include environmental work required by the National Environmental Policy Act (NEPA), design, and construction of improvements along the corridor. Design and construction will occur only after NEPA approval by the Federal Transit Administration (FTA).

River Road Transit Community Implementation Plan — Funding Tier(s): I

Collaborative effort between the City of Eugene and LTD to enable transit-oriented-development.

Comprehensive Operations Analysis and Communications Assessment — Funding Tier(s): I

A detailed study of a transit system designed to identify existing strengths, areas for improvements and options to improve efficiency and increase usage

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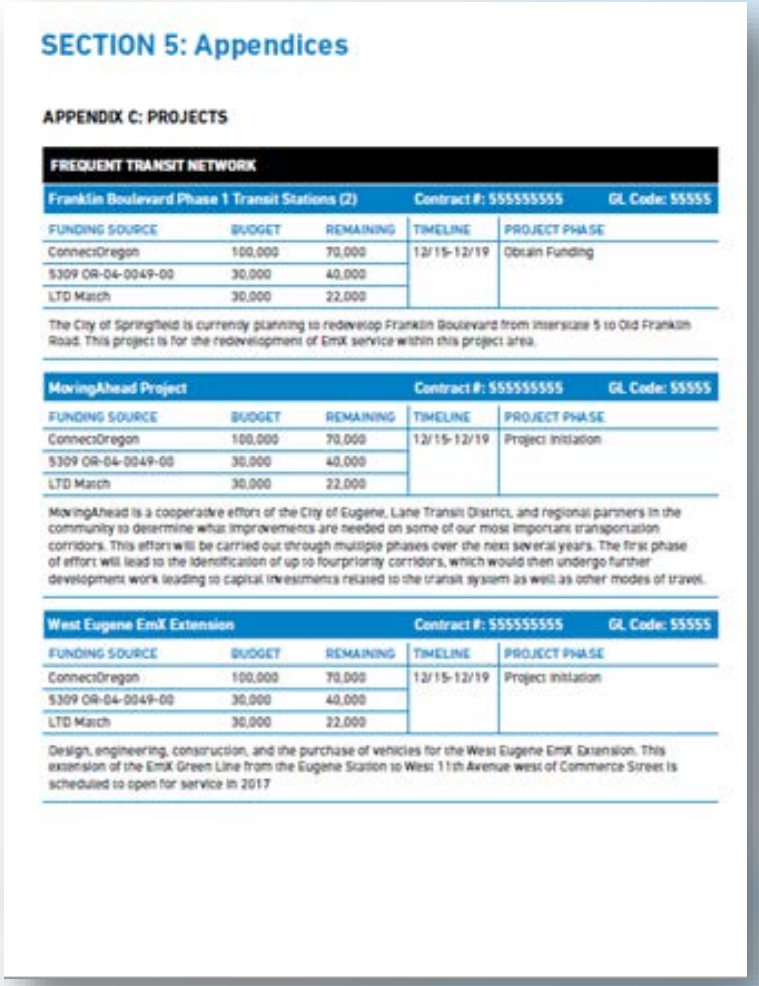
New Project Description



SECTION 5: Appendices

APPENDIX C: PROJECTS

FREQUENT TRANSIT NETWORK

Franklin Boulevard Phase 1 Transit Stations (2) — Contract #: 555555555 — GL Code: 55555

FUNDING SOURCE	BUDGET	REMAINING	TIMELINE	PROJECT PHASE
ConnectOregon	100,000	70,000	12/15-12/19	Obtain Funding
5309 OR-04-0049-00	30,000	40,000		
LTD Match	30,000	22,000		

The City of Springfield is currently planning to redevelop Franklin Boulevard from Interstate 5 to Old Franklin Road. This project is for the redevelopment of EmX service within this project area.

MovingAhead Project — Contract #: 555555555 — GL Code: 55555

FUNDING SOURCE	BUDGET	REMAINING	TIMELINE	PROJECT PHASE
ConnectOregon	100,000	70,000	12/15-12/19	Project Initiation
5309 OR-04-0049-00	30,000	40,000		
LTD Match	30,000	22,000		

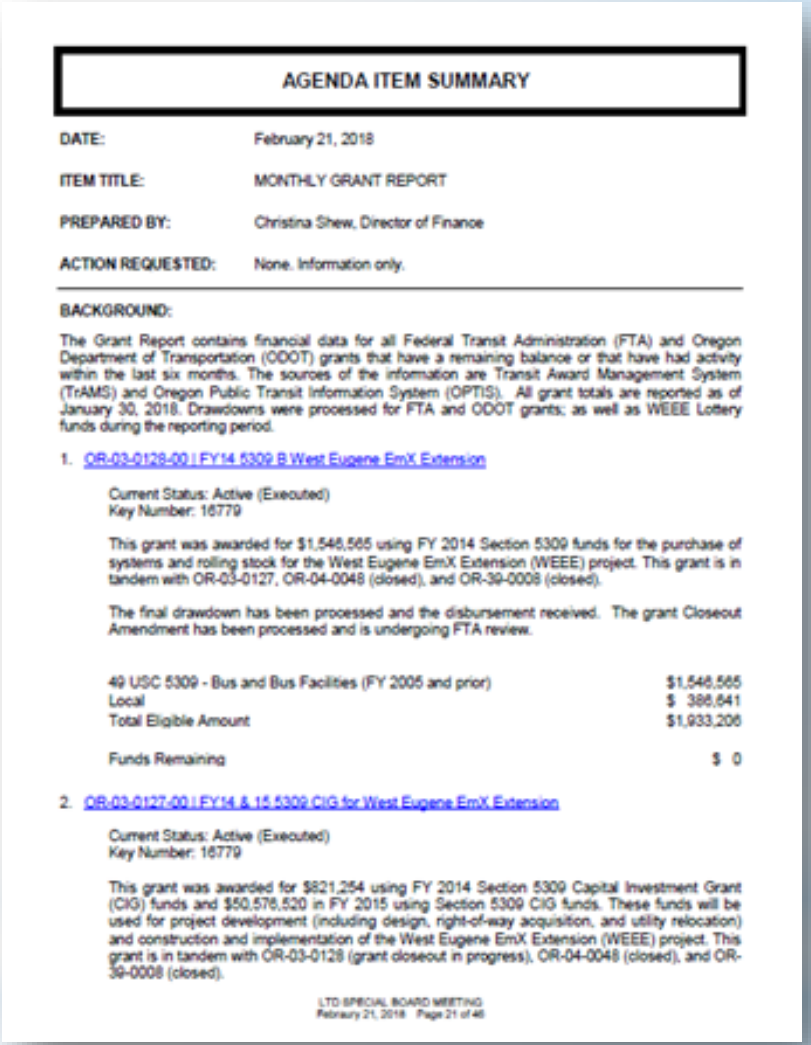
MovingAhead is a cooperative effort of the City of Eugene, Lane Transit District, and regional partners in the community to determine what improvements are needed on some of our most important transportation corridors. This effort will be carried out through multiple phases over the next several years. The first phase of effort will lead to the identification of up to fourpriority corridors, which would then undergo further development work leading to capital investments related to the transit system as well as other modes of travel.

West Eugene EmX Extension — Contract #: 555555555 — GL Code: 55555

FUNDING SOURCE	BUDGET	REMAINING	TIMELINE	PROJECT PHASE
ConnectOregon	100,000	70,000	12/15-12/19	Project Initiation
5309 OR-04-0049-00	30,000	40,000		
LTD Match	30,000	22,000		

Design, engineering, construction, and the purchase of vehicles for the West Eugene EmX Extension. This extension of the EmX Green Line from the Eugene Station to West 11th Avenue west of Commerce Street is scheduled to open for service in 2017

Current Monthly Reporting



AGENDA ITEM SUMMARY

DATE: February 21, 2018

ITEM TITLE: MONTHLY GRANT REPORT

PREPARED BY: Christina Shew, Director of Finance

ACTION REQUESTED: None. Information only.

BACKGROUND:

The Grant Report contains financial data for all Federal Transit Administration (FTA) and Oregon Department of Transportation (ODOT) grants that have a remaining balance or that have had activity within the last six months. The sources of the information are Transit Award Management System (TrAMS) and Oregon Public Transit Information System (OPTIS). All grant totals are reported as of January 30, 2018. Drawdowns were processed for FTA and ODOT grants; as well as WEEE Lottery funds during the reporting period.

1. OR-03-0128-00 | FY14 5309 B West Eugene EmX Extension

   Current Status: Active (Executed)
   Key Number: 16779

   This grant was awarded for $1,546,565 using FY 2014 Section 5309 funds for the purchase of systems and rolling stock for the West Eugene EmX Extension (WEEE) project. This grant is in tandem with OR-03-0127, OR-04-0048 (closed), and OR-39-0008 (closed).

   The final drawdown has been processed and the disbursement received. The grant Closeout Amendment has been processed and is undergoing FTA review.

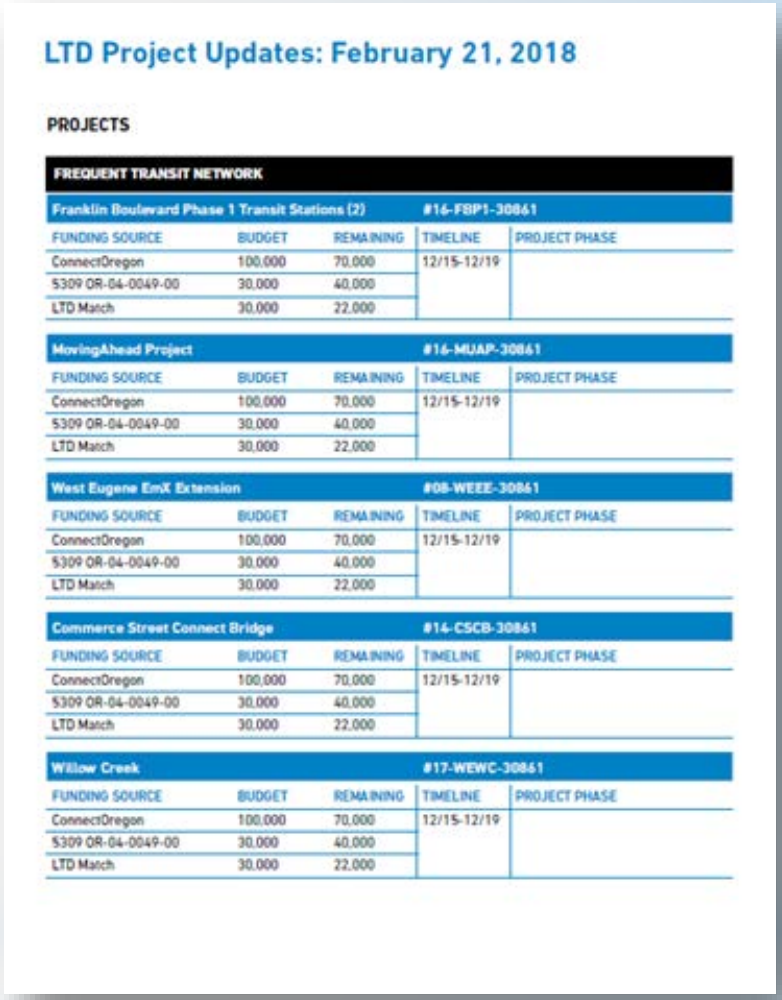
49 USC 5309 - Bus and Bus Facilities (FY 2005 and prior)	$1,546,565
Local	$ 386,641
Total Eligible Amount	$1,933,206
Funds Remaining	$ 0

2. OR-03-0127-00 | FY14 & 15 5309 CIG for West Eugene EmX Extension

   Current Status: Active (Executed)
   Key Number: 16779

   This grant was awarded for $821,254 using FY 2014 Section 5309 Capital Investment Grant (CIG) funds and $50,576,520 in FY 2015 using Section 5309 CIG funds. These funds will be used for project development (including design, right-of-way acquisition, and utility relocation) and construction and implementation of the West Eugene EmX Extension (WEEE) project. This grant is in tandem with OR-03-0128 (grant closeout in progress), OR-04-0048 (closed), and OR-39-0008 (closed).

New Monthly Reporting



LTD Project Updates: February 21, 2018

PROJECTS

FREQUENT TRANSIT NETWORK

Franklin Boulevard Phase 1 Transit Stations (2)			#16-FBP1-30861	
FUNDING SOURCE	BUDGET	REMAINING	TIMELINE	PROJECT PHASE
ConnectOregon	100,000	70,000	12/15-12/19	
5309 OR-04-0049-00	30,000	40,000		
LTD Match	30,000	22,000		

MovingAhead Project			#16-MUAP-30861	
FUNDING SOURCE	BUDGET	REMAINING	TIMELINE	PROJECT PHASE
ConnectOregon	100,000	70,000	12/15-12/19	
5309 OR-04-0049-00	30,000	40,000		
LTD Match	30,000	22,000		

West Eugene EmX Extension			#08-WEEE-30861	
FUNDING SOURCE	BUDGET	REMAINING	TIMELINE	PROJECT PHASE
ConnectOregon	100,000	70,000	12/15-12/19	
5309 OR-04-0049-00	30,000	40,000		
LTD Match	30,000	22,000		

Commerce Street Connect Bridge			#14-CSCB-30861	
FUNDING SOURCE	BUDGET	REMAINING	TIMELINE	PROJECT PHASE
ConnectOregon	100,000	70,000	12/15-12/19	
5309 OR-04-0049-00	30,000	40,000		
LTD Match	30,000	22,000		

Willow Creek			#17-WEWC-30861	
FUNDING SOURCE	BUDGET	REMAINING	TIMELINE	PROJECT PHASE
ConnectOregon	100,000	70,000	12/15-12/19	
5309 OR-04-0049-00	30,000	40,000		
LTD Match	30,000	22,000		

Board Meeting Annual Calendar


Questions, Comments,
Further Discussion?
LTD.org