



Public notice was given to *The Register-Guard* for publication on November 11, 2012.

**LANE TRANSIT DISTRICT
BOARD OF DIRECTORS
FINANCE COMMITTEE MEETING**

**November 12, 2012
4:00 p.m. – 5:30 p.m.**

**LTD Conference Room A
3500 East 17th Avenue, Eugene (in Glenwood)**

AGENDA

	<u>Page</u>
I. CALL TO ORDER (Mike Dubick)	
II. ROLL CALL (Mike Dubick)	
Dubick _____ Kortge _____ Necker _____	
III. APPROVAL OF MEETING MINUTES	
• Minutes of the March 5, 2012, LTD Board Finance Committee meeting	2
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VI. NEXT MEETING	
VII. ADJOURN	

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 541-682-6100 (voice) or 7-1-1 (TTY, through Oregon Relay, for persons with hearing impairments).

MINUTES OF FINANCE COMMITTEE MEETING
LANE TRANSIT DISTRICT BOARD OF DIRECTORS

March 5, 2012

Pursuant to notice given to *The Register-Guard* for publication on March 2, 2012, and distributed to persons on the mailing list of the District, a meeting of the Lane Transit District Board of Directors Finance Committee was held on March 5, 2012, at Lane Transit District, 3500 East 17th Avenue, Eugene.

PRESENT - Mike Dubick, Dean Kortge, Ed Necker

CALL TO ORDER – Mr. Kortge, chair of the committee, called the meeting to order at 4:02 p.m.

ROLL CALL – All committee members were in attendance. The following LTD staff also was present: Diane Hellekson, Ron Kilcoyne, Todd Lipkin, Mary Adams, Andy Vobora, Carol James, and Chris Thrasher.

MINUTES – Minutes from the following meetings were approved by unanimous vote:

- March 21, 2011, LTD Board Finance Committee
- April 26, 2011, LTD Board Joint Finance and Human Resources Committee
- May 6, 2011, LTD Board Finance Committee
- January 24, 2012, LTD Board Joint Finance and Human Resources Committee

FARE INCREASE ANALYSIS – Mr. Vobora, director of service planning, accessibility, and marketing, asked the committee to consider a cash fare increase for 2012. Staff proposed an increase in the adult cash fare from \$1.50 to \$1.75 and an increase in the reduced cash fare from \$.75 to \$.85. With that increase, adult day passes and RideSource prices would increase from \$3.00 to \$3.50. The last cash fare increase occurred in 2008 when adult prices increased from \$1.25 to \$1.50.

Staff also proposed a 5.8 percent increase in the group pass pricing that would become effective January 1, 2013. Group pass pricing changes are traditionally made annually; however, the Board has, in response to the economic downturn, chosen not to increase prices during the past three years.

Mr. Vobora presented a PowerPoint presentation on fare evaluation. When considering a fare increase, the Board must consider the following:

- Effects of the change on Title VI populations
- Inflation rate
- Ridership and revenue trends
- Local economic trends
- Trends in automobile-related costs, such as gas
- Service changes
- Economic impact on customers

- Market conditions and opportunities
- District's financial situation
- District's goals and objectives

Title VI analysis, which looks at the effects of a fare change on minority and low-income riders, has been completed following a review of the 2011 Origin and Destination Rider Survey. Survey results included the following:

- Fare type usage was consistent between minority and Caucasian groups.
- Fare choice by household income was consistent.
- Frequent riders use passes.
- Impact to riders paying cash fare would be less because this group does not ride as often.

Mr. Vobora noted that approximately 60 percent of riders have a household income under \$25,000.

Inflation. Over the past 12 months, prices for food at home rose 6.5 percent, energy prices jumped 16.9 percent (strongly influenced by a 24.9 percent increase in gasoline prices), electricity prices advanced 8.1 percent, and natural gas service prices decreased 1.2 percent.

Ridership and Revenue. Ridership is increasing at just over 2 percent for the fiscal year. Tax receipts are increasing and farebox revenue is up although overall fare revenue is down due to the loss of the Student Transit Pass funding. Staff estimates that an increase in cash fare would result in increased fare revenue of \$200,000 to \$300,000, and an increase in the group pass rate would result in \$160,000 in additional group pass revenue.

Local Economic Trends. Employment and the UO Index of Economic Indicators show improvement. Construction remains strong with the completion of the Interstate 5 bridge and projects at the UO, LCC, and downtown Eugene. LCC and UO enrollment is increasing.

Automobile-Related Costs. Automobile Association of America (AAA) 2010 data shows that it costs \$8,588 (excluding loan payments) to drive your car each year, and the composite national average cost per mile is 58.5 cents. Mr. Vobora noted that LTD paid \$3.32 per gallon for fuel on February 9, 2012, and \$3.68 per gallon in early March 2012. Ms. Hellekson stated that LTD has approximately 300,000 gallons of fuel stored off site, which was purchased at \$3 per gallon.

Service Changes. Staff made service running-time adjustments in February 2012, which resulted in a 5 percent improvement in trips being less than two minutes late. Minor routing and timepoint adjustments (0.12 percent) are scheduled for September 2012.

Economic Impact on Customers. Approximately 25-29 percent of riders will experience an increased cost to access service. Elasticity research would suggest ridership may drop, within this rider group, by approximately 6 percent. While not a requirement, providing an alternative fare choice (e.g., tokens, weekly pass) would offset some of the impact of a fare increase.

Market Conditions and Opportunities. Peak-hour buses continue to carry heavy passenger loads. Increasing enrollment at LCC and UO continues to place pressure on routes serving these locations. Downtown Eugene student housing, if built, will create a demand for additional

trips to the UO. Gateway EmX ridership is growing and businesses are leveraging proximity to the service. SmartTrips and other outreach efforts continue to provide targeted efforts to educate residents and recruit new riders. "School choice" may provide new opportunities to transport students.

LTD's Financial Position. As the committee is aware, the budget is balanced and revenues are growing; however, uncertainties—labor contract, pension costs, and fuel—still remain.

Goals and Objectives. Mr. Vobora believed that the following two goals and objectives from the strategic plan justified raising the service fare and preserving the current service package:

- Deliver reliable public transportation service.
- Maintain LTD's fiscal integrity.

Mr. Vobora stated that business community members would like to see a fare increase versus an increase to the payroll tax, which accounts for 65 percent or better of the operating revenue.

Discussion and Direction. The committee recommended presenting the information to the full Board, which would include two public hearings. If approved, the effective date would be July 1, 2012.

CHARTER SERVICE PRICING – LTD's Charter Service Policy states that "charter service pricing will be based upon the sum of all direct and indirect operating costs, measured at a rate per schedule hour of service (rounded up to the nearest whole dollar) as outlined in the District's Fully Allocated Cost Plan." Mr. Vobora stated that the current rate for charter service, as stated in the Fully Allocated Cost Plan, is \$142 per hour. When accounting for the depreciation of capital assets at their full value, this methodology overstates the cost due to the fact that the District funds the purchase of capital assets through grants and anticipates using grants to replace these assets in the future. When calculating the fully allocated cost using a 20 percent depreciation cost structure, the rate was \$127 per hour. UO football service at 3,000 hours would result in approximately \$50,000 less in revenue.

If the Board accepted this new methodology, staff would recommend freezing the current rate at \$142 until the rate using the new methodology catches up to it.

The committee approved taking staff's recommendation to the full Board for review and maintaining the current rate.

PENSION PLAN – Ms. Hellekson, director of finance and information technology, referred the committee to a report included in the agenda packet that was prepared by Milliman, the actuarial firm that services both LTD pension plans. The report, dated February 29, 2012, provided an analysis regarding the effect of changing the current 7.5 percent rate of return assumption for the Lane Transit District ATU and Salaried Employees pension plans.

Mr. Dubick found the information very informative. He preferred maintaining service over fully funding the pension plans.

Ms. Hellekson stated that even at 7.5 percent, an additional \$300,000 would be added to each pension plan for the next budget year.

Mr. Kortge stated that he would prefer the plans be funded at 75 percent rather than 50 percent. He felt comfortable with the asset allocation.

Ms. Adams, director of human resources and risk management, pointed out that the report shows how sensitive the funding level is to the assumed rate of return. If the assumed rate of return were moved to 7 percent, the funding rate for the ATU plan would go down 2.5 percent, which would then require a greater amount of District contribution to the plan.

Ms. Hellekson recommended sharing this information with the plan trustees.

Mr. Necker did not want a change to affect service.

Mr. Dubick stated that the report shows that LTD is in the middle of the mainstream.

ADJOURNMENT – There was no further discussion, and the meeting adjourned at 5:10 p.m.

(Recorded and transcribed by Chris Thrasher, Lane Transit District)

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AGENDA ITEM SUMMARY

DATE OF MEETING: November 12, 2012

ITEM TITLE: 2013 LTD FARE INCREASE ANALYSIS

PREPARED BY: Andy Vobora, Director of Customer Services and Planning

ACTION REQUESTED: Discussion and Direction

BACKGROUND:

In 2012, the District increased the cash fare and those fare types that have been traditionally adjusted based on a cash fare increase. The affected fare types include the Day Pass fare and the RideSource fare. To provide customers with a discounted single-ride fare option, LTD introduced the 10-Ride Ticket Book in October 2012. These changes positioned the District to rotate fare increases amongst three fare categories: cash, single-ride tickets, and passes. The rotation of fares was successfully implemented for many years but was discontinued when single-ride tokens were discontinued several years ago. Under the rotation strategy, the District is scheduled to evaluate an increase in monthly and three-month pass prices in 2013. Pass prices were last increased in 2010 when the adult pass price was increased from \$45 to \$48, or approximately 6.7 percent.

Group pass prices will increase by 5.8 percent on January 1, 2013. By policy the Board may choose to increase group pass rates annually by the three-year rolling average of District cost increases; however, the Board has maintained prices over the past three years in recognition of the poor economic times businesses have faced during the recession. The current three-year rolling average of cost increases is 5.7 percent.

The District's fare policy states that when considering changes to the fare, the Board will consider the following:

- Effects of the change on Title VI populations
- Inflation rate
- Ridership and revenue trends
- Local economic trends
- Trends in automobile-related costs (e.g., gasoline)
- Service changes
- Economic impact on customers
- Market conditions and opportunities
- District's financial situation
- District's goals and objectives

The Finance Committee has a number of options, and staff will be available to discuss these options at the November 12, 2012, meeting. If the committee directs staff to proceed with further analysis of a pass price increase, staff will begin gathering data to address the considerations outlined in the fare policy listed above.

ATTACHMENT: None

PROPOSED MOTION: None

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FINANCE COMMITTEE AGENDA ITEM SUMMARY

DATE OF MEETING: November 12, 2012

ITEM TITLE: LANE TRANSIT DISTRICT FUNDING RESERVE POLICY

PREPARED BY: Diane Hellekson, Director of Finance and Information Technology

ACTION REQUESTED: Direction

BACKGROUND:

It has always been in an organization's best interest to have operating reserves that can be used to cover unforeseen emergency expenditures, add to operating subsidies by earning interest, or stabilize service during an economic downturn. Reserves can be established in a number of different ways, which will be discussed in a subsequent section of this memo. Lane Transit District identified the need for reserves in the early 1990s and defined the amount required as a percent range of operating expenses. The first reserve policy called for reserves of no less than 15 percent and no more than 40 percent of the annual operating budget, a range that was expected to provide several months of service while plans were made to address an interruption or reduction of payroll tax receipts.

After several years of economic prosperity, optimal reserves were achieved. The Board of Directors in the late 1990s believed that payroll tax receipts were a stable source of operating subsidy and reserve targets could be safely lowered. There were concerns about possibly over funding reserves while not considering a reduction in the payroll tax rate. A new reserve policy was drafted and approved that specified a fixed amount for three purposes: self-insurance, current-year working capital, and future-year working capital (\$1 million for each of the first two with the total of the three to be a minimum of \$2,500,000). Excess operating reserves were transferred to the Capital Projects Fund for use as local match for major projects and as capital contingency funds.

In May 2012, Budget Committee members expressed concern that, at minimum levels, reserves would be inadequate. Because current reserves are much higher than the minimum specified by current policy, there was no urgency to revisit the policy. However, since the long-range financial plan proposes to spend down the reserves over the next several years, the Budget Committee directed staff to revisit the reserve policy with the goal of revising the policy to increase reserve goals. The reserve policy has always been a responsibility of the Finance Committee of the Board with the full Board eventually approving a Finance Committee recommendation.

As previously mentioned, reserves can be defined and established in a number of different ways:

- Fixed targets for specified purposes, such as the current LTD reserve policy, can be itemized.
- Amount can be a percentage of operating costs (or a range, as in the previous LTD reserve policy).
- The funds can be set aside or available in the form of a previously approved line of credit.

- Reserve funds can be restricted as to purpose, or unrestricted. Restrictions can also be set that establish when and how reserves are used.
- Any combination of the previously listed options is also possible.

There are advantages and disadvantages to all of the options:

- Reserves divert funds from other uses. Raising reserve balances requires a determination that doing so is a higher priority than other activities such as increasing or enhancing service, or reducing pension plan unfunded liabilities.
- A large reserve can be an attractive target for groups that choose not to accept the need for reserves at that level.
- Reserves can only be spent once. For that reason, the amount must be adequate to anticipate a negative event that could have ongoing consequences. Also for that reason, a line of credit by itself is usually not ideal.
- Reserve restrictions can protect funds from groups hoping to use them for purposes other than those intended such as reducing payroll tax rates or improving employee compensation and/or benefits. But restrictions also limit flexibility, and it is difficult to define restrictions that anticipate all possible contingencies.

There is no staff recommendation at this time. However, committee members are asked to consider the following as a starting point for discussion:

- An unrestricted reserve appropriation in the General Fund equal to 25 percent of annual operating expenditures. The policy can suggest allowable uses for reserves but permit the Board to approve other purposes as part of a supplemental budget process. This suggested policy is similar to the existing reserve policy except that it increases the target reserve balance from a fixed amount to a percentage.
- Adding a line of credit requirement to the reserve policy in an amount not to exceed 25 percent of annual operating expenditures. Specify under what circumstances the line of credit could/should be accessed and by whose authority.

ATTACHMENTS: Current LTD Reserve Policy
Current Long-Range Financial Plan

PROPOSED MOTION: None. Staff will draft a new reserve policy that incorporates committee comments and direction and bring it back for further consideration. When a new draft meets the committee members' satisfaction, the proposed revised policy will be forwarded to the full Board.

**LANE TRANSIT DISTRICT
BUDGETARY RESERVE POLICY AND
FINANCIAL POLICY FOR UNRESERVED FUND BALANCES**

OBJECTIVE

Unreserved fund balances consist of working capital that the Board of Directors may choose to appropriate for expenditures or reserves during the annual budget process. This policy addresses the goals of the Board of Directors regarding the level of unreserved fund balance for the General Fund.

BACKGROUND

The LTD Board of Directors has always believed in and supported prudent financial management practices. A formal reserve policy has been in effect since January 1994. The policy is reviewed periodically to make sure that it reflects current needs based on the strength of the local economy, the outlook for federal funds availability, and the need to cover price volatility for major materials and supplies.

POLICY

It is the policy of the LTD Board of Directors that the total of all General Fund unreserved balances for operations and for self-insurance risk reserves shall be maintained as a percent of total annual operating expense, less the amount reserved for transfer to the Capital Fund. The reserve amount will be determined during the annual budget development process, but shall never be less than 7 percent of the base expense total and shall not exceed 13 percent of this total. When funds available for reserve exceed 13 percent, the excess shall be added to the appropriation for General Fund transfer to the Capital Fund. The Budget Committee will review the reserve recommendation and affirm a reserve in accordance with the range provided in this policy as part of the budget approval process.

The established annual reserve shall be allocated as follows:

Self-insurance/risk:	\$1,000,000
General Fund contingency:	\$1,000,000
Working capital:	Remaining balance

Regardless of the base on which the reserve is calculated annually, the total General Fund reserve shall never be less than \$2,500,000.

CRITERIA FOR EXPENDITURE OF BUDGETARY RESERVES

General Fund reserve allocations can be spent only in accordance with a resolution adopted by the Board of Directors. Examples of possible uses of contingency reserve funds include, but are not limited to:

- Major bus or vehicle accident
- An unusually high number of liability claims
- An unusually high number of unemployment claims
- Accidental loss of a utility vehicle
- Fuel price volatility
- Economic downturn resulting in lower payroll tax receipts
- Loss of funding source

MAINTENANCE

The Finance Committee of the Board of Directors is responsible for the maintenance of this policy, with staff assistance from the Finance Manager.

Administrative Policies & Procedures II-M-2 (Revised) Adopted by the Board of Directors, April 19, 2000

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Lane Transit District
FY 2013-20 Long-Range Financial Plan
Proposed 4/9/2012
Payroll Tax Base: 3% Year 1, 4% Year 2, 5% Thereafter

	FY 2011-12 Estimated Current Year	Year 1 Projected FY 2012-13	Year 2 Projected FY 2013-14	Year 3 Projected FY 2014-15	Year 4 Projected FY 2015-16	Year 5 Projected FY 2016-17	Year 6 Projected FY 2017-18	Year 7 Projected FY 2018-19	Year 8 Projected FY 2019-20
1 Beginning Working Capital	14,645,700	11,702,600	8,682,133	6,138,478	2,922,965	2,348,997	2,459,929	2,675,821	3,522,213
2									
3 General Fund Revenues									
4 Passenger Fare Operating Revenues	6,377,200	6,696,100	7,030,900	7,382,400	7,751,500	8,139,100	8,546,100	8,973,400	9,422,100
5 Advertising	275,500	275,500	283,800	292,300	301,100	310,100	319,400	329,000	338,900
6 Special Services	550,000	577,500	606,400	636,700	668,500	701,900	737,000	773,900	812,600
7 Total Operating Revenues	7,202,700	7,549,100	7,921,100	8,311,400	8,721,100	9,151,100	9,602,500	10,076,300	10,573,600
8									
9 Payroll-Related Taxes	25,764,100	26,860,500	28,258,700	30,000,400	31,919,400	33,949,100	36,110,000	38,410,500	40,859,700
10									
11 STP-U Funding for PM	500,000	500,000	500,000	-	-	-	-	-	-
12 Preventive Maintenance (Federal 5307)	3,500,000	3,800,000	3,800,000	4,300,000	4,500,000	4,600,000	4,200,000	3,800,000	3,000,000
13 point2point Solutions Funding (STP & STP-U)	569,000	411,100	411,100	411,100	411,100	411,100	411,100	411,100	411,100
14 Other Operating Grants	171,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
15 Total Grants	4,740,000	4,736,100	4,736,100	4,736,100	4,936,100	5,036,100	4,636,100	4,236,100	3,436,100
16 Miscellaneous	155,400	155,400	155,400	155,400	155,400	155,400	155,400	155,400	155,400
17 Interest	60,000	53,900	50,000	50,000	50,000	50,000	50,000	50,000	50,000
18									
19 Total General Fund Revenues	37,922,200	39,355,000	41,121,300	43,253,300	45,782,000	48,341,700	50,554,000	52,928,300	55,074,800
20									
21 General Fund Expenditures									
22									
23 Fixed-Route Services									
24 Personnel Services	25,803,100	27,401,150	28,320,300	29,351,600	30,155,000	30,985,400	31,843,400	32,730,100	33,647,000
25 Materials and Services less Fuel	5,743,200	5,858,100	5,975,300	6,094,800	6,216,700	6,341,000	6,467,800	6,597,200	6,729,100
26 Fuel	3,084,200	3,348,000	3,515,400	3,691,200	3,875,800	4,069,600	4,273,100	4,486,800	4,711,100
27 Insurance	1,312,700	1,339,000	1,365,800	1,393,100	1,421,000	1,449,400	1,478,400	1,508,000	1,538,200
28 Total Fixed-Route Operating Costs Before Adjustments	35,943,200	37,946,250	39,176,800	40,530,700	41,668,500	42,845,400	44,062,700	45,322,100	46,625,400
29									
30 West Eugene EmX Service Addition	-	-	-	-	-	600,000	1,233,200	1,267,500	1,303,000
31									
32 Transfer to Accessible Services Fund	1,915,100	2,906,600	3,197,300	3,517,000	3,868,700	4,255,600	4,681,100	5,149,200	5,664,100
33 Transfer to Capital Projects Fund	3,007,000	1,522,617	1,290,855	2,421,113	818,768	529,768	361,108	343,108	345,108
34									
35 Total General Fund Expenditures	40,865,300	42,375,467	43,664,955	46,468,813	46,355,968	48,230,768	50,338,108	52,081,908	53,937,608
36 Ending Working Capital	11,702,600	8,682,133	6,138,478	2,922,965	2,348,997	2,459,929	2,675,821	3,522,213	4,659,405