



Public notice was given to *The Register-Guard* for publication on December 13, 2015.

# LANE TRANSIT DISTRICT BOARD OF DIRECTORS FINANCE COMMITTEE MEETING

December 16, 2015  
3:30 p.m. – 5:00 p.m.

LTD Conference Room A  
3500 East 17<sup>th</sup> Avenue, Eugene (in Glenwood)

## AGENDA

	<u>Page</u>
I. CALL TO ORDER	
II. ROLL CALL	
<input type="checkbox"/> Wildish <input type="checkbox"/> Necker <input type="checkbox"/> Yeh	
III. APPROVAL OF MEETING MINUTES	
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IV. FARES AND FARE POLICY .....	5
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VI. LONG-RANGE FINANCIAL PLAN .....	10
VII. NEXT MEETING	
VIII. 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

February 4, 2015

Pursuant to notice given to *The Register-Guard* for publication on February 1, 2015, 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 February 4, 2015, at Lane Transit District, 3500 East 17th Avenue, Eugene.

**PRESENT** – Ed Necker, Carl Yeh, Gary Wildish

**CALL TO ORDER** – Mr. Necker, chair of the committee, called the meeting to order at 5:00 p.m.

**ROLL CALL** – Committee members Ed Necker and Carl Yeh were present. Former member Michael Dubick, whose term as Board member had expired, was replaced by Mr. Wildish, who, as new Board President, appointed himself as part of the committee until a new Board member was appointed by the Governor. The following LTD staff also were present: Todd Lipkin, Tom Schamber, Ron Kilcoyne, Andy Vobora, Roland Hoskins, and Chris Thrasher. Dwight Purdy of Thorp, Purdy, Jewett, Urness, & Wilkinson, P.C, was also present.

**MINUTES** – Minutes from the April 11, 2013, meeting of the Board Finance Committee were approved by unanimous vote.

**EXECUTIVE SESSION PURSUANT TO ORS 192.660(2)(f)** - It was moved by Mr. Yeh and seconded by Mr. Wildish that the Committee meet in Executive Session pursuant to ORS 192.660(2)(f) to consider information or records that are exempt by law from public inspection.

The motion was approved as follows:

AYES: Wildish, Necker, Yeh  
NAYS: None

The Board entered Executive Session at 5:05 p.m.

Attorney Dwight Purdy was present for the executive session.

**RETURN TO REGULAR SESSION** - The Committee returned to regular session at 5:18 p.m.

**PENSION FUNDING POLICY** – Mr. Lipkin, finance manager/CFO, distributed copies of a booklet entitled, "The New Pension Accounting." Members could contact Mr. Lipkin at a later date if they had any questions.

The agenda packet included copies of the two pension funding policies—LTD ATU Local 757 Pension Funding Policy and LTD Salaried Employees' Retirement Plan Funding Policy—as well as pension funding policy assumptions. Mr. Lipkin stated that the Governmental Accounting Standards Board (GASB) has issued Statements No. 67 and 68 that will require significant changes in the type and form of information collected and reported by pension plans and

governmental employers. These statements remove the direct link between measurements for funding purposes and measurements of pension expense for accounting and financial reporting purposes. LTD will now report the pension liabilities in the "Comprehensive Annual Financial Report." The measurement requirements for the new statements for financial reporting purposes will require actuarial valuations that differ from, and therefore will need to be in addition to, the actuarial valuation that is used for funding purposes. These calculations require the actuary to determine a critical measurement involving the projection of future employer contributions based on history and expressed future funding intent.

In response to a question from Mr. Necker, Mr. Lipkin stated that the audit would happen after the fiscal year end. He added that staff has asked the actuary for calculations going back a couple of years but did not expect new valuations. Staff would continue to do comparative financial statements.

Mr. Lipkin stated that the pension funding policies would be presented to the Board in February.

In response to a question from Mr. Wildish, Mr. Lipkin stated that we currently understand our funding liability. Both plans have funding strategies for full funding by 2029. Changes would be made to the policies by the February Board meeting to update the funding percentage to 62.1 percent instead of 54 percent, increase the ATU plan multiplier from \$64.00 to \$65.50, and change the amortization period to 10 years.

**FARES** – Mr. Vobora, director of customer services and planning, gave the committee a brief history on fare changes and considerations for fare changes. He noted that although many transit agencies do not have a fare policy, LTD's policy was established in the early 1980s. The policy had three main components: (1) small incremental increases, (2) increase in only one part of the fare structure each year, and (3) changes would be rotated among the fare structures. This year's rotation falls on ticket prices. Mr. Vobora noted that the Group Pass Program has a different pricing evaluation, and generally those prices increase every year.

In light of the 2014 fare changes, stagnant ridership, and continued growth in fare revenue, the recommendation by staff for FY 2015-16 is to maintain current fare prices, including Group Pass fares.

In response to a question from Mr. Wildish, Mr. Vobora stated that there is not a policy that fares will cover a certain percentage of costs. Mr. Lipkin added that such a policy would be difficult to manage.

In response to a question from Mr. Yeh, Mr. Vobora did not believe that there was a formula that would show an increase in ridership if fares were reduced. Mr. Kilcoyne, general manager, stated that you may have to cut service in order to maintain farebox recovery because you would lose riders. On the flip side, if you reduce fares, you may increase riders. If you increase it a lot, you may have to increase service. He added that most research shows that level of service has more impact on ridership than fares.

If the Legislature does not provide funding for youths as currently proposed, Mr. Vobora stated that the Board may want to consider charging seniors a small fare in order to offset a lower fare price for youth riders.

Mr. Necker added that one of the reasons senior fare was reduced to zero was to help keep seniors off RideSource.

Mr. Yeh asked if staff would consider selling an annual pass. Mr. Vobora stated that LTD sold annual passes 8 years ago; however, there were very few sales. Not many three-month passes, which are offered, are sold. Mr. Kilcoyne stated that an electronic fare system would benefit all. Mr. Yeh stated that the latest rage is subscription service.

The committee agreed with staff's recommendation to maintain current fare prices for FY 2015-16.

**FARE POLICY** - Mr. Vobora distributed copies of the Fare Policy with edits and reviewed the recommended changes with the committee. He stated that LTD's attorneys have reviewed the policy and suggested changes in response to the Federal Transit Administration's review of policies and language requirements in regards to Title VI. Prior to adoption of an updated Fare Policy, staff will solicit feedback on the policy with local agencies and riders.

**CAPITAL IMPROVEMENTS PROGRAM (CIP)** – Mr. Lipkin stated that the CIP document has changed over the last few years. This year, in an effort to better prioritize capital investment, each project under consideration is being scored and ranked. Projects are being categorized as either state of good repair (SGR) projects or Non-SGR projects. State of good repair projects include preventive maintenance, bus replacement, and cyclical replacement or upgrade of facilities, technology, and other systems. Non-SGR projects are those that represent new investments in service or new investment in systems or technology.

**LONG-RANGE FINANCIAL PLAN (LRFP)** – Mr. Lipkin stated that the agenda packet included the LRFP that was approved last year. The December 2014 financial reports would provide the basis for projecting revenue and costs for the new LRFP. Assumptions used in the current plan will be reviewed and considered for inclusion in the Plan update. Key assumptions included the following:

- Payroll tax rate increase effective January 1, 2017
- A large transfer to the Accessible Services Fund, although a large increase of funds from the Legislature is expected (\$500,000 increase over prior base)
- Payroll tax issue take back
- Fuel is well under proposed

**NEXT MEETING** – No meeting was schedule at this time. Mr. Wildish appreciated the information he received at this meeting and suggested it might be helpful if staff sat down with new Board members in a smaller setting to go over historical information.

**ADJOURNMENT** – There was no further discussion, and the meeting adjourned at 6:30 p.m.

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

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## AGENDA ITEM SUMMARY

**DATE OF MEETING:** December 16, 2015

**ITEM TITLE:** FARES AND FARE POLICY

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

**ACTION REQUESTED:** Information and Direction

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### BACKGROUND:

The District's Fare Policy states, "When considering changes to the fare, the Board will consider:"

- The effects of the change on Title VI populations
- The 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
- The District's financial situation
- The District's goals and objectives

Staff has preliminarily discussed many of these criteria and would like to discuss the Board's interest in examining a fare increase for the 2016-17 fiscal year. In January 2015, the Board Finance Committee discussed and decided to make no changes to fares during the 2015-16 fiscal year. The committee concluded that stagnant ridership and continued growth in fare revenue positioned the District to forego a change in fare pricing.

The District's fare policy outlines a process for rotating fare price increases to allow customers an opportunity to select the fare that works best for their situation. Maintaining this rotation would mean that the District should evaluate a modest increase in the price of ten-ride tickets for the coming year; however, staff has discussed that a change in ticket prices would reduce the price differential between the cash fare and ticket prices and thereby reduce the incentive for customers to purchase tickets. While a majority of ticket sales are made by agencies, who are less price sensitive, those customers purchasing tickets may be less inclined to purchase tickets and would potentially rely more on paying cash.

One option the Finance Committee might consider is an adjustment in cash fares followed by a ticket price change in the future. This would allow the price differential and the incentive to buy tickets to be maintained. Tickets are currently priced at \$1.60 for adults and \$.80 for youth and Half-Fare Program riders. The adult cash fare is currently \$1.75 and \$.85 for youth and Half-Fare Program riders. The last cash fare increase occurred in July 2012 when the adult fare was increased from \$1.50 to \$1.75.

Group pass pricing changes are traditionally made annually; however, the Board can choose to maintain pricing, which is what occurred for the 2015-16 fiscal year. Group pass prices increased approximately 18 percent over the three-year period ending in June 2015. More group pass contracts have been added in 2015. Should the Committee consider a return to regular price increases for fiscal year 2016-17, the group pass policy provides the committee the ability to increase prices utilizing the consumer price index as a guide or to simply increase prices using the three-year rolling average of operating cost increases being experienced by the District.

The Fare Policy includes guiding language to assist the Board in setting and maintaining fare prices. It also includes specific program information, including the following:

- Fare Media Donations
- Fare Discounts (Not-for-Profit Program)
- Wholesale Discounts
- Group Pass Programs
- Half-Fare Program

Staff has been working with Kristen Denmark, an attorney with Thorp, Purdy, Jewett, Urness & Wilkinson, P.C., to make administrative changes and to add language required by the Federal Transit Administration. Over the past six months, staff determined, and distributed for review by area agencies, a suggested threshold for evaluating disparate or disproportionate impacts on populations protected by Title VI of the Civil Rights Act and the Environmental Justice orders signed by President Clinton. Staff will be prepared to review the threshold language and discuss next steps in updating the Fare Policy.

**ATTACHMENT:** None

**PROPOSED MOTION:** None

## AGENDA ITEM SUMMARY

**DATE OF MEETING:** December 16, 2015

**ITEM TITLE:** RESERVE POLICY PERIODIC REVIEW

**PREPARED BY:** Todd Lipkin, Finance Manager/CFO

**ACTION REQUESTED:** Information and Direction

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**BACKGROUND:**

Lane Transit District has a Reserve Policy (attached) that outlines the amount of General Fund reserves that should be carried and what to do when the reserve amount is exceeded. With the current level of reserves exceeding the thresholds outlined in the policy, it is a good time to revisit the policy to determine if changes are warranted. Staff will present reserve best practices and elements that we believe should be included in an updated reserve policy.

**ATTACHMENT:** Lane Transit District Budgetary Reserve Policy and Financial Policy for Unreserved Fund Balances

**PROPOSED MOTION:** None

**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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## AGENDA ITEM SUMMARY

**DATE OF MEETING:** December 16, 2015

**ITEM TITLE:** LONG-RANGE FINANCIAL PLAN

**PREPARED BY:** Todd Lipkin, Finance Manager/CFO

**ACTION REQUESTED:** Information and Direction

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**BACKGROUND:**

Lane Transit District is beginning to update the ten-year Long Range Financial Plan (LRFP) that informs the District's budget. The current plan is attached. We will discuss the elements of the current plan and possible assumptions to be used for the update to the plan. Ultimately, final guidance for the LRFP assumptions will be provided by the Board of Directors at the strategic planning work session being scheduled for February or March.

**ATTACHMENT:** FY 2016-25 Long-Range Financial Plan

**PROPOSED MOTION:** None

**Lane Transit District**  
**FY 2016-25 Long-Range Financial Plan Approved 4/15/2015**  
 Payroll Tax Base: 5% Annual Increase

	FY 2014-15 Estimated Current Year	Year 1 Projected FY 2015-16	Year 2 Projected FY 2016-17	Year 3 Projected FY 2017-18	Year 4 Projected FY 2018-19	Year 5 Projected FY 2019-20	Year 6 Projected FY 2020-21	Year 7 Projected FY 2021-22	Year 8 Projected FY 2022-23	Year 9 Projected FY 2023-24	Year 10 Projected FY 2024-25
1 Beginning Working Capital	17,234,700	16,732,300	14,479,200	11,955,100	9,383,600	7,344,400	5,861,600	4,556,900	3,815,000	3,433,300	3,821,100
2 General Fund Revenues											
3 Passenger Fare Operating Revenues	7,267,000	7,382,000	7,751,200	8,138,700	8,545,600	8,972,900	9,421,600	9,892,700	10,387,300	10,906,600	11,451,900
4 Advertising	310,000	310,000	319,300	328,900	338,800	349,000	359,500	370,300	381,400	392,800	404,600
5 Purchased Service	161,300	161,300	169,400	177,900	186,800	196,100	205,900	216,200	227,000	238,400	250,300
6 Total Operating Revenues	7,738,300	7,853,300	8,239,900	8,645,500	9,071,200	9,518,000	9,987,000	10,479,200	10,995,700	11,537,800	12,106,800
7 Payroll/Self-Employment Taxes (.007)	29,731,000	31,780,200	33,369,200	35,037,700	36,789,600	38,629,000	40,560,500	42,588,500	44,718,000	46,953,900	49,301,600
8 Payroll/Self-Employment Taxes (Rate Increase 1/1/2017)	-	-	225,600	713,900	1,250,100	1,837,600	2,479,800	3,180,600	3,943,700	4,778,300	5,684,500
9 Payroll/Self-Employment Tax Total	29,731,000	31,780,200	33,594,800	35,751,600	38,039,700	40,466,600	43,040,300	45,769,100	48,661,700	51,732,200	54,986,100
10 State In Lieu	570,000	200,000	206,000	212,200	218,600	225,200	232,000	239,000	246,200	253,600	261,200
11 Preventive Maintenance (Federal 5307)	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000
12 Point2point Funding (STP & STP-U)	726,100	411,100	411,100	411,100	411,100	411,100	411,100	411,100	411,100	411,100	411,100
13 Other Operating Grants	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
14 Total Grants	4,951,100	4,636,100	4,636,100	4,636,100	4,636,100	4,636,100	4,636,100	4,636,100	4,636,100	4,636,100	4,636,100
15 Miscellaneous	263,600	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
16 Interest	84,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
17 Total General Fund Revenues	43,338,000	44,669,600	46,876,800	49,445,400	52,165,600	55,045,900	58,095,400	61,323,400	64,739,700	68,359,700	72,190,200
18 General Fund Expenditures											
19 Fixed-Route Services											
20 Personnel Services	28,862,600	30,849,000	32,417,300	33,850,000	35,385,900	37,005,300	38,731,000	40,568,800	42,528,900	44,621,700	46,855,700
21 Materials and Services less Fuel	2,600,000	3,000,000	3,150,000	3,307,500	3,472,900	3,645,500	3,828,800	4,020,200	4,221,200	4,432,300	4,653,900
22 Insurance	1,064,800	1,100,000	1,122,000	1,144,400	1,167,300	1,190,600	1,214,400	1,238,700	1,263,500	1,288,800	1,314,600
23 Total Fixed-Route Operating Costs Before Adjustments	39,113,200	41,866,400	43,541,000	45,290,600	47,154,600	49,114,500	51,190,700	53,392,500	55,729,700	58,213,200	60,855,000
24 FY 2016 Community Investment	-	666,700	833,900	870,800	910,300	952,400	996,400	1,043,700	1,094,100	1,147,900	1,205,400
25 FY 2017 Community Investment	-	-	579,200	720,600	753,300	787,800	824,500	863,600	905,300	946,800	997,400
26 West Eugene EMX Service & Other Community Investments	-	-	-	916,700	1,141,600	1,193,900	1,249,500	1,308,800	1,372,000	1,439,500	1,511,700
27 Transfer to Accessible Services Fund	1,500,000	2,750,000	2,956,300	3,104,100	3,259,300	3,422,300	3,593,400	3,773,100	3,961,800	4,159,900	4,367,900
28 Transfer to Medicaid Fund	172,000	172,000	177,300	182,500	188,000	193,600	199,400	205,400	211,600	217,900	224,400
29 Transfer to Capital Projects Fund	3,055,200	1,667,600	1,313,300	931,600	797,700	684,600	1,346,200	1,478,200	1,846,900	1,643,700	1,826,900
30 Total General Fund Expenditures	43,840,400	46,922,700	49,400,900	52,016,900	54,204,800	56,528,700	59,400,100	62,065,300	65,121,400	67,971,900	70,965,700
31 Ending Working Capital	16,732,300	14,479,200	11,955,100	9,383,600	7,344,400	5,861,600	4,556,900	3,815,000	3,433,300	3,821,100	5,022,600