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Public notice was given to *The Register-Guard* for publication on November 2, 2001.

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

**November 6, 2001
4:00 p.m.**

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

AGENDA

- I. CALL TO ORDER
- II. ROLL CALL
Hocken _____ Gaydos _____ Lauritsen _____
- III. APPROVE MINUTES OF SEPTEMBER 26, 2001, MEETING
- IV. SEPTEMBER FINANCIAL REPORT
- V. FINANCIAL PLANNING
- VI. ADJOURN

Alternative formats of printed material (Braille, cassette tapes, or large print) are available upon request. A sign language interpreter will be made available with 48 hours' notice. The facility used for this meeting is wheelchair accessible. For more information, please call 682-6100 (voice) or 1-800-735-2900 (TTY, for persons with hearing impairments).

FINANCE COMMITTEE AGENDA ITEM SUMMARY

DATE OF MEETING: November 6, 2001

ITEM TITLE: SEPTEMBER FINANCIAL STATEMENTS

PREPARED BY: Diane Hellekson, Finance Manager

ACTION REQUESTED: None

BACKGROUND: Financial results for the third month of the fiscal year are summarized in the attached reports. After a strong start at the beginning of the summer, passenger fares have slipped. Year-to-date results are now nearly \$29,000 below budget expectation. Group pass receipts also are below expectation due to the closure of technology businesses over the summer. The largest contributor to the \$50,102 three-month shortfall is Hynix. Hynix's parent corporation recently was successful in obtaining additional financial support for its restructuring effort, and it is still a possibility that the West Eugene plant will reopen after January 1. Both group pass and passenger fare receipts are ahead of the previous year's first quarter.

Payroll and self-employment tax revenues have been reported on a cash basis. At the November 6 meeting, reports will be distributed that show revenues on an estimated full accrual basis, so that committee members can determine which approach best meets Board members' information needs. Given that the full accrual approach during an economic downturn increases the likelihood of consequences to inaccurate estimation, staff recommend the modified accrual approach for monthly reports. The information would continue to be restated at fiscal year-end to meet external reporting requirements. However, Board members' preferences will prevail for all future reports.

Payroll tax receipts are over budget for the first three-months of the current year, and 5.7 percent ahead of last year. This result suggests that revenue in the current year is on track. In fact, it is still too early to tell if first quarter receipts are as expected, since receipts will not be distributed until later in November. Staff will report on receipts as of November 6 at the meeting. An additional event that skewed the results slightly is that the Oregon Department of Revenue successfully recovered more than \$200,000 in past due receipts from prior fiscal years and distributed them to Lane Transit District in September. Tax receipts were very conservatively budgeted in light of a weaker economy but may still be optimistic, given recent information that the economic downturn is, in fact, a recession. This important General Fund resource will continue to be closely watched, and more information will be provided in future reports.

Interest income for September was down as compared with both budget and prior year. The year-to-year comparison shows the effect of rate reductions that have substantially reduced earning potential in the last several months. The current-year budget anticipated the investment of bond sale proceeds, with earnings spread over the entire fiscal year. However, since there has been no action taken on debt financing to date, there have been no debt expenses, in addition to fewer funds available for investment. Therefore, there have been fewer funds with which to invest.

Personnel services expenses are within budget parameters through September but are a source of concern as LTD plans for the future. Growth of this largest component of the operating budget stands at nearly 11 percent over last year. Tax receipts, the principal source of subsidy, are expected to be flat under optimistic assumptions. It is possible that tax receipts may decline in the next year or two. It will, therefore, be necessary to slow the growth of personnel services expenses in order to make sure that the General Fund remains self-supporting.

In addition, it will be necessary to trim payrolls in order to continue some level of operating support to LTD's long-term capital agenda, which includes bus rapid transit (BRT). In the short-term, while operating expense restructuring has been started, General Fund transfers to the Capital Fund have been reduced or foregone. It is likely that the \$3 million scheduled for transfer in the current fiscal year will not occur so that required operating reserves can be maintained. There is no consequence to the deferral of transfers to capital for the next year or two, as current capital reserves are adequate to meet capital project needs. Long-term, the transfers will need to resume, as it is likely that federal project support, if obtainable, will require a minimum of 50 percent local match. Previous projects funded with federal discretionary earmarks required a 20 percent match. The Capital Improvements Program will be considered as part of the financial discussion on November 6 and also at the full Board retreat later this month.

Year-to-date materials and services expenditures are down versus budget and prior period due in part to lower fuel costs, but primarily because a significant transfer of excess operating reserves was made to the Capital Fund last year, which was a one-time event. The current-year budget pared planned non-personnel expenses as part of the effort to trim operating costs in anticipation of the slower economy.

Special Transportation Fund expenses are as anticipated through September. As previously noted, the transition of Special Transportation administrative services from Lane Council of Governments (LCOG) to LTD required time and created uncertainty for the budget process in that there were numbers that were not known by the end of the last fiscal year. One of those numbers, the cash balance to be carried forward, was higher than

LCOG originally estimated. As a result, there is a cash balance in the Special Transportation Fund of nearly \$461,000.

September Capital Fund expenses also are as anticipated. As has been reported to the Board separately, the FTA Region 10 office in Seattle recently issued a Finding of No Significant Impact (FONSI) for LTD's BRT project, which cleared the way for processing of the grant application. Phase 1 BRT project grant funds were successfully obligated before the September 30 deadline.

Fieldwork for the audit of the 2000-2001 fiscal year was completed the week of September 3. The Comprehensive Annual Financial Report (CAFR), including auditors' statements, will be distributed before the November Board meeting. A representative of the audit firm Grove, Mueller & Swank will attend the November meeting to present audit findings and answer any questions that Board members may have.

ATTACHMENTS:

Attached are the following financial reports for Board review:

1. Operating Financial Report - comparison to prior year
2. Monthly Financial Report Comments
3. Comparative Balance Sheets
 - a. General Fund
 - b. Special Transportation Fund
 - c. Capital Projects Fund
4. Income Statements
 - a. General Fund
 - b. Special Transportation Fund
 - c. Capital Projects Fund
5. September Performance Report

PROPOSED MOTION:

None

MONTHLY FINANCIAL REPORT COMMENTS

November 6, 2001

Revenue:

- **Passenger fares** have declined after a healthy start in the first two months of the fiscal year but remain ahead of the same period in the last fiscal year. The group pass program has been affected by downsizing on the part of major participants. The loss of Hynix's participation will have an estimated \$30,000 impact on annual revenue.
- **Special service** receipts are strong. Ridership was up significantly for the Lane County Fair and has been strong through the first three University of Oregon home football games.
- **Payroll and self-employment tax revenue** has been reported on the cash basis, as in prior years. Board members will have an opportunity to consider reports on a full accrual basis to determine which approach best meets information reporting needs. Payroll tax year-to-date receipts are as anticipated through September. Local job losses in the high tech sector will have an impact on payroll tax receipts that will first be noted in November. It is not yet known if the General Fund tax appropriation for the current fiscal year is an attainable goal.

Expense:

- **Administration personnel** expenses are as expected through September and show 9.3 percent growth over the previous year.
- **Contract personnel** expenses also are as expected year to date, and show an 11 percent increase over the previous year due to contract changes and service net additions.
- **Materials and services** expenses generally are as anticipated by the budget. There were some timing anomalies in how the budget anticipated expenses by month.
- **Capital** expenses also are as anticipated by the budget. Phase 1 BRT grant funds were obligated before the September 30 deadline.

Legal Notice

Date: May 11, 2020
To: Debbie Buzalsky, Legal Publications
The Register-Guard; Fax: 687-6668
From: Chris Thrasher, Administrative Secretary
Lane Transit District; Phone: 682-6109
RE: Notice of Board Committee Meeting
LTD Purchase Order #8287

**Please publish the following legal publication on Friday,
November 2, 2001.**

NOTICE OF LTD BOARD COMMITTEE MEETING

A meeting of the Finance Committee of the Board of Directors of Lane Transit District will be held on Tuesday, November 6, 2001, at 4:00 p.m., in the LTD Conference Room at 3500 East 17th Avenue, Eugene (in Glenwood). Items for discussion include the September financial report and financial planning.

Alternative formats of printed materials (Braille, cassette tapes, or large print) are available upon request. A sign language interpreter will be made available with 48 hours' notice. The facility used for this meeting is wheelchair accessible. For more information, call 682-6100 (voice) or 1-800-735-2900 (TTY, through Oregon Relay, for persons with hearing impairments).

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Lane Transit District

*P.O. Box 7070
Eugene, Oregon 97401-0470*

*3500 East 17th Avenue
Eugene, Oregon 97403*

*Phone: 541-682-6100
Fax: 682-6111
TTY: 800-735-2900
E-mail: ltd@ltd.lane.or.us
Internet: www.ltd.org*

MINUTES OF FINANCE COMMITTEE MEETING
LANE TRANSIT DISTRICT BOARD OF DIRECTORS

November 6, 2001

Pursuant to notice given to *The Register-Guard* for publication on November 2, 2001, a meeting of the Lane Transit District Board of Directors Finance Committee was held at 4:00 p.m. on November 6, 2001, at Lane Transit District, 3500 E. 17th Avenue, Eugene.

Present: Gerry Gaydos, LTD Board Member
Pat Hocken, LTD Board Member
Virginia Lauritsen, LTD Board Member

I. CALL TO ORDER

Ms. Hocken called the meeting to order at 4:10 p.m.

II. ROLL CALL

Also present were: Ken Hamm, General Manager; Mark Pangborn, Assistant General Manager; Diane Hellekson, Finance Manager; Carol James, Accounting Supervisor; Stefano Viggiano, Planning & Development Manager; Linda Lynch, Government Relations Manager, Steve Parrott, IS Manager.

III. APPROVAL OF MINUTES

Mr. Gaydos moved, seconded by Ms. Hocken, to approve the minutes of the September 26, 2001, meeting of the LTD Board of Directors Finance Committee. The motion passed unanimously.

IV. SEPTEMBER FINANCIAL REPORT

Ms. Hellekson stated that the September Financial Report was included in this meeting's agenda packet and that the October Financial Report would be available at the October Board meeting.

Ms. Hellekson referred the Committee to the Operating Financial Report on page 10 of the agenda packet. Although anticipated, LTD has not seen evidence of an economic downturn as reflected in unemployment rates in the community and layoff notices by major, local corporations. First quarter receipts are still outstanding; however, the Department of Revenue has been aggressively collecting past due amounts from prior years. The report on page 10 showed slow growth in passenger fares, which could be due to fare increases. A major source of concern was that personnel services were growing at a high rate, an 11 percent increase over last year. Revenues are not keeping up.

Materials & Services expenses did not show any major flags. Ms. Hellekson noted that LTD was not in a crisis but staff were planning ahead.

Ms. James distributed copies of the General Fund Schedule of Revenue, Expenditures and Changes in Fund Balance - Accrual Basis report. This was an alternative to the report on page 15 of the agenda packet, which was developed using the modified accrual basis. Statements were formatted differently for ease in identification. The difference between the statements was that the accrual basis reported revenues for payroll tax and self-employment tax as estimates. Ms. James noted that there was not enough information to build on no-growth trends for the accrual basis report.

In response to a question from Ms. Hocken, Ms. Hellekson stated that the Payroll Tax line item would be labeled "cash basis" on both reports. Ms. Hocken noted that the two reports were not that different in terms of revenue.

Ms. Hellekson stated that staff's preference was to continue reporting using the modified accrual basis and restate at year end to meet all GASB requirements.

Ms. Hocken preferred seeing both reports. She believed it made sense to use cash basis expenditures in both statements.

Ms. Hellekson referred the Committee to the performance report for September (page 18 of the agenda packet). She noted that person trips and lift rides were down from a year ago, which may be due to the implementation of the Comprehensive Service Redesign (CSR).

V. FINANCIAL PLANNING

Ms. Hellekson distributed a handout listing steps for a proposed financial planning process:

1. Balance General Fund
 - a. Eliminate discretionary materials & services
 - b. Improve service and operator scheduling efficiency
 - c. Eliminate positions with discretionary responsibilities
 - d. Cut lower productivity service
2. Prioritize Capital Improvement Projects
 - a. Confirm components and timing of BRT phases
 - b. Identify necessities and non-necessities
 - c. Approve appropriate timelines for all projects
3. Identify Funding Requirements
 - a. Identify capital funding gaps
 - b. Consider funding alternatives
 - c. Determine long-term general fund contribution to capital requirement (if any)
 - d. Explore short- and long-term operating revenue opportunities

Ms. Hellekson stated that although there are three funds, the long-range planning focused on the Operating Fund and the Capital Fund. The Special Transportation Fund was driven by need and by ADA requirements.

Step 1: Balance General Fund

Ms. Hellekson distributed a handout showing the five-year projections of the General Fund with assumptions: a flat payroll tax, modest growth in other revenues, and flattening out growth in personnel services. It also assumed a delay in transferring \$3 million in capital as was scheduled for this year, which Ms. Hellekson believed could be done without major consequences. Board policy states that we need a minimum of \$3 million in reserves. It does not assume, however, a reduction in personnel or service. The projection for this year was \$24.5 million in total revenue and \$25.4 million in expenses. The General Fund is not self-supporting under this scenario. Mr. Hamm's course of action is to build as much into this year recognizing that there is no crisis.

Looking at the handout, Ms. Hellekson pointed out that at the end of year three the resulting ending working capital (combined) showed a negative balance of over \$11 million. That assumed 50 percent financing of Phase 2 BRT. Those funds have not been identified yet. Ms. Hellekson also stated that the five-year plan assumed \$102 million in capital expenditures, which is very aggressive. Funding has yet to be determined.

Ms. Hellekson recapped that staff have started the process of eliminating discretionary materials and services last year and would continue that process in the future.

In regards to improving service and operator scheduling efficiency, Mr. Hamm explained that staff were looking at a couple of areas as ways to save money:

- Adjusting the 10-minute service pulse to 15-minute pulses
- Reducing extra 5-minute load times

Mr. Hamm noted that the ATU might be willing to make adjustments to the current contract to avoid cutting service. Staff were developing wish lists for the next negotiations, looking at items in the current contract that could be eliminated that would collectively add up to substantial savings.

Mr. Hamm reported that staff were in the process of restructuring the organization, and downsizing of 10-12 administrative positions should be completed by the end of the week. Total savings would be available at the Board retreat on November 16, 2001.

Ms. Hellekson stated that cutting service was the lowest priority as a way to balance the General Fund. There could be a problem cutting additional service so soon after the Comprehensive Service Redesign. Although small tweaks could be done now, changes might be better in September 2002 after the annual review process.

Mr. Gaydos asked to see timelines at the Board retreat. He stated that provision of service was the most important. He also recommended informing the public of the staff layoffs.

Ms. Hellekson noted that LTD is in better shape than most government agencies because we prepared.

Step 2: Prioritize Capital Improvement Projects

The Board needs to prioritize capital improvement projects and identify necessities and non-necessities.

In regards to BRT, Ms. Hellekson stated that alternatives would be presented at the Board retreat.

Mr. Gaydos stated that LTD had promised BRT to the community and asked about the bottom line cost. Mr. Pangborn stated the LTD was committed to Phase 1 BRT although there could be various options to consider.

Mr. Hamm stated that a definition for BRT was being developed at the national level. Should be able to give a report at the Board retreat.

Ms. Hocken asked for Board discussion regarding BRT vehicles, noting that the options offered a \$5 million to \$10 million difference.

In a response to a question from Ms. Lauritsen, Mr. Viggiano stated that BRT vehicles could operate at the current Springfield Station site but it would be slower and out of direction. Mr. Hamm added that if articulated buses were used, service would need to be staggered.

Mr. Hamm stated that other BRT Consortium members were looking at purchasing vehicles. It might be possible to tag onto another purchase, which could possibly lower the price. He noted that Fleet Services Manager Ron Berkshire and he would be traveling to Europe in January 2002 to visit three bus manufacturing sites. He asked that the Board help develop vehicle criteria.

Step 3: Identify Funding Requirements

Ms. Hellekson stated that after prioritizing the capital improvement projects, staff should be able to identify capital funding gaps. The Board would then be asked to consider funding alternatives. One alternative involves taking formula funds received as part of reauthorization and leveraging them to the maximum amount, essentially making them 80 percent of the maximum debt payment that we could afford and determining what that would buy. After balancing the General Fund and making operations self-sustaining, we may want to require the Operating Fund to contribute to capital again. The final step would be to explore short- and long-term operating revenue opportunities. Options could include increasing the payroll tax and/or looking into joint development opportunities.

Mr. Gaydos recommended looking into the criteria that was used regarding opening of Broadway in Eugene. Mr. Pangborn believed that funding came from guaranteed funds based on timber revenue.

Step 4: Finalize Capital Improvements Program (CIP) and Long-Range Financial Plan (LRFP)

Ms. Hellekson stated that after working through Steps 1-3, staff would bring the LRFP and CIP to the Board for discussion and approval in December or January. This would then be the basis for budget development.

VIII. OTHER BUSINESS

In response to a request from Ms. Hocken, Mr. Pangborn outlined a tentative agenda for the Board retreat:

Day 1

- Financial planning
- Springfield Station
- Comprehensive Service Redesign (CSR)

Day 2

- Follow-up on budget discussion
- Construction management
- Long-range goals for budget development
- Board meet alone regarding internal operations

Mr. Gaydos stated that he would like to discuss the risks LTD is willing to take.

Ms. Hocken noted that four Board members' terms would be expiring and asked who would be on the Board in January. Ms. Lynch stated that she would be meeting with the Secretary of State's office soon and should have an answer by the retreat. She stated that Board district lines are being redrawn, which requires a public process.

In response to a question from Ms. Hocken, Mr. Lynch stated that as long as Board members are willing, they can continue serving on the Board until their replacement is appointed.

IX. NEXT MEETING

The next meeting of the Board Finance Committee was scheduled for December 4, 2001. Although there was nothing for the agenda at this point, the meeting would stay scheduled in case there was a need to gather the committee.

X. ADJOURNMENT

There was no further discussion and the meeting adjourned at 5:15 p.m.

(Recorded by Chris Thrasher, Lane Transit District)

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