(This packet was printed on recycled paper.)

Public notice was given to *The Register-Guard* for publication on February 5, 2006.

LANE TRANSIT DISTRICT
BOARD OF DIRECTORS
FINANCE COMMITTEE MEETING

February 7, 2006
7:30 – 9:00 a.m.

LTD Board Room
3500 East 17th Avenue, Eugene (in Glenwood)

AGENDA

		Page
I.	CALL TO ORDER (Dean Kortge)	
II.	ROLL CALL (Dean Kortge)	
	Davis ________ Gant _______ Kortge ______	
III.	APPROVE MINUTES OF JANUARY 12, 2006, MEETING	2
IV.	GROUP PASS PRICING (Andy Vobora)	5
V.	SPECIAL SERVICE PRICING (Andy Vobora)	7
VI.	MEDICAID MEDICAL TRANSPORTATION CALL CENTER & BROKERAGE (Terry Parker)	
VII.	PENSION PLANS (Mary Neidig)	13
VIII.	LONG-RANGE FINANCIAL PLAN (Diane Hellekson)	35
IX.	OTHER BUSINESS	
X.	NEXT MEETING	
XI.	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: February 7, 2006

ITEM TITLE: Group Pass Pricing

PREPARED BY: Andy Vobora, Director of Marketing and Communications

ACTION REQUESTED: Approve Revised Group Pass Policy.

BACKGROUND: At the January 12, 2006, Finance Committee meeting, the committee discussed a change to pricing methodology outlined in the Group Pass Policy. This involved moving away from calculating price changes based on the three-year rolling average of LTD costs to using the Consumer Price Index (CPI). The committee and the full Board reviewed this change; however, staff has discussed this further and would like the committee to consider a pricing methodology that uses the current methodology, while paying particular attention to the CPI. Staff believes that the cost to provide service is reflected in the three-year rolling average method and that by using the CPI method, the District's goal of maintaining and improving farebox recovery will become more and more difficult. If the true cost of providing service increases faster than the CPI, it seems reasonable that the consumer pay their share of the increasing cost. As is the case when standard fare changes are examined, price sensitivity must be considered. The District doesn't want to price groups out of the market, so a balance must be maintained.

Staff recommends maintaining the current three-year rolling average method. Since the policy guidelines currently contain language that states the Board will consider changes in inflation when reviewing fare increases, staff believes that the CPI is taken into consideration and that the Board has the ability to implement price changes that are less than the rate determined by the three-year rolling average method.

The three-year rolling average method results in a recommended 9 percent increase for the coming year. Staff believes this increase will be seen as too aggressive and that a number of groups may opt out of the program. Portland CPI stands at 2.5 percent; therefore, staff recommends a group pass price change of 6 percent for calendar year 2007.

RESULTS OF RECOM MENDED ACTION: The recommended rate change will be communicated to group pass organizations for review and comment. Staff will bring a resolution to the Board for approval in April.

ATTACHMENTS: None

Q:\Reference\Board Packet\2006\02\Finance Committee 2-7-06\06 Group pass policy change.doc

FINANCE COMMITTEE
AGENDA ITEM SUMMARY

DATE OF MEETING: February 7, 2006

ITEM TITLE: Special Service Pricing

PREPARED BY: Andy Vobora, Director of Marketing and Communications

ACTION REQUESTED: Discuss increases to rates and provide direction to staff.

BACKGROUND: Each year staff updates the District's Fully Allocated Cost Plan following adoption of the previous year's audit report. Following the completion of the fiscal year, actual expenses are affirmed through the audit process, which provides the basis for updating the Fully Allocated Cost Plan. The updated plan provides the District the information from which to change special service pricing. Due to increases in costs resulting from fuel price increases and personnel services cost increases in 2004-05, the fully allocated rates will increase significantly for the coming year. The plan is attached for your review.

The District determines special service rates based on event size and complexity. Most events pay what is called the "level one" rate, which is equal to the sum of direct costs plus one-half of the indirect cost. Currently, UO football shuttles is the only event paying the "level two" rate, which is the fully allocated rate. As noted in the plan, the level one rate will increase from $78 per hour to $92 per hour and the fully allocated rate will increase from $91 per hour to $104 per hour.

When the staff recommended using level two rates for all events, the District received comments from a number of event providers. These providers felt that the jump from the level one to level two rates would result in their inability to continue providing shuttle services through LTD. The Board asked staff to revisit this issue, and the level one pricing methodology resulted. It is very likely that a jump in level one pricing from $78 per hour to $92 will generate similar comments.

Staff would like the Finance Committee to review the fully allocated cost plan and provide direction.

RESULTS OF RECOM MENDED ACTION: Staff will notify event organizers of the 2006 rates.

ATTACHMENTS: Fully Allocated Cost Plan

Q:\Reference\Board Packet\2006\02\Finance Committee 2-7-06\06 special svc pricing.doc

FINANCE COMMITTEE
AGENDA ITEM SUMMARY

DATE OF MEETING: February 7, 2006

ITEM TITLE: Long-Range Financial Plan (LRFP)

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

ACTION REQUESTED: Provide direction to the refinement of the revised plan assumptions.

BACKGROUND: At the January 12, 2006, committee meeting, the group reviewed a new draft of the eight-year plan based on discussions held during the December full Board work session. Direction provided at that time included interest in the effect of a larger than would normally be expected growth in payroll tax receipts in FY 2005-06 and FY 2006-07, and also the effect of increasing contributions to the two pension plans to begin reducing unfunded liabilities.

The attached LRFP draft document incorporates the changes discussed. To make the comparison easier, the only two changes from the draft discussed on January 12 are the assumption of 8 percent payroll tax receipt growth in the current fiscal year and FY 2006-07, and a change in the return on investment assumption for both pension plans from 8 percent to 7.5 percent with a twenty-year amortization of the two plans' unfunded liabilities. The effect of other pension funding assumptions is included in the materials attached to the pension plan discussion agenda item provided in this meeting packet.

The Capital Improvements Program (CIP), which was discussed at both the full Board's December work session and the January 12, 2006, Finance Committee, is undergoing a final revision which was not completed in time for this meeting. The anticipated changes are related to maintenance requirements associated with the new EmX service and with a review of security requirements. The change in Maintenance Department leadership delayed the required additional consideration. The CIP is not expected to be materially affected by the anticipated changes. The revised CIP will be brought back to the Finance Committee before going to the full Board for discussion and approval/amendment in March.

RESULTS OF RECOMMENDED ACTION: Staff will revise the LRFP in accordance with direction provided. The FY 2006-07 plan will go to the full Board for discussion and approval/amendment at the regular March Board meeting.

ATTACHMENTS: Long-Range Financial Plan Draft 2-07-06
Personnel Services Assumptions

Q:\Reference\Board Packet\2006\02\Finance Committee 2-7-06\07 lrfp 2-7-06 draft.doc

FINANCE COMMITTEE
AGENDA ITEM SUMMARY

DATE OF MEETING: February 7, 2006

ITEM TITLE: Pension Plan Funding

PREPARED BY: Mary Neidig, Director of Human Resources and Risk Management

ACTION REQUESTED: Discuss different funding scenarios for both LTD's Pension Trusts.

BACKGROUND: As part of the annual budget process, I asked Pete Sturdivan to prepare different scenarios for funding LTD's two pension trusts. Pete Sturdivan of Milliman USA is the Actuary for both plans, and is familiar with the various scenarios being discussed.

Attached are spreadsheets that explore these scenarios.

RESULTS OF RECOM MENDED ACTION: Finance Committee recommendations will be shared with Human Resource Committee members at their February 14 meeting, and ultimately with the full board at the February 15 meeting.

ATTACHMENTS: Pension Plan Costing Scenarios

Lane Transit District

Fully Allocated Cost Plan

From audited expenses for the fiscal year ending June 30, 2005

Fully Allocated Cost Plan

Fully allocated cost plan methodology

The 2004-2005 cost plan was prepared using a model consistent with previous years. This model follows the guidelines for public transit providers in the *Fully Allocated Cost Analysis*, published by the United States Department of Transportation. The principle underlying fully allocated costing analysis is that the total cost incurred in producing a single product or in delivering a specific service should be attributed to that product or to that service. The fully allocated cost of a specific product or service includes both:

1) The direct costs of the labor, capital, and material resources used exclusively in the delivery of the service, and

2) A portion of the shared costs of the administrative labor, capital, and material resources used in the production of the range of services.

Components of a Fully Allocated Cost Estimate

The costs associated with the delivery of transit service include the following:

- Fixed Costs, which are constant over very large increments of service and, therefore, do not vary with small changes in the level of transit service. Examples of fixed costs include most administrative labor cost, facility-related capital costs, and materials and supplies costs other than those costs incurred directly to support revenue service.

- Variable Costs, which normally vary with the level of transit service provided. Variable costs include driver wages and vehicle fuel costs, which vary directly with level of service.

A fully allocated costing analysis recognizes that both fixed and variable resources contribute to the delivery of transit service. A fully allocated cost estimate, therefore, represents a complete accounting of all the labor, capital, and material resources used in the delivery of transit service.

- All costs are based on audited expenses for the fiscal year ending June 30, 2005. The cost per hour calculated for fiscal year 2004-2005 was adjusted by 5 percent for use during fiscal year 2005-2006. The computed cost per hour is used to establish the total cost per route for the previous year.

Fully allocated cost by formula

The fully allocated cost by formula model utilizes three allocation variables. Transportation-related costs are allocated to vehicle hours since these costs are a function of the number of vehicle hours operated. Vehicle maintenance and fuel costs are allocated to vehicle miles, since the number of miles operated reflects the exposure of vehicles to wear and the rate of fuel consumption. Administrative and capital costs are allocated to peak vehicles because they are largely a function of the size of the transit system. The following table shows the fully allocated cost by formula for fiscal year 2004-2005 along with a five-year projection:

	FY 2004-2005	FY 2005-2006	FY 2006-2007	FY 2007-2008	FY 2008-2009	FY 2009-2010
Vehicle Hours						
Operator cost per platform hour (variable)	40.40	42.42	44.54	46.77	49.11	51.57
Direct Operator supervison cost per platform hour	3.61	3.79	3.98	4.18	4.39	4.61
Total direct vehicle operating cost per platform hour	44.01	46.21	48.52	50.95	53.50	56.18
Vehicle Miles						
Variable cost per vehicle mile	1.20	1.26	1.32	1.39	1.46	1.53
Fixed cost per vehicle mile	0.14	0.15	0.16	0.17	0.18	0.19
Total cost per vehicle mile	1.34	1.41	1.48	1.56	1.64	1.72
Peak Service						
Cost per vehicle in peak service	141,990.08	149,089.59	156,544.07	164,371.27	172,589.83	181,219.32
Marketing cost per vehicle in peak service	8,474.66	8,898.40	9,343.32	9,810.49	10,301.01	10,816.06
Total cost per vehicle in peak service	150,464.75	157,987.99	165,887.39	174,181.76	182,890.84	192,035.38

Fully allocated costs by platform hours

The following table shows the fully allocated cost by platform hour for fiscal year 2004-2005 along with a five-year projection:

	FY 2004-2005	FY 2005-2006	FY 2006-2007	FY 2007-2008	FY 2008-2009	FY 2009-2010
Direct Variable Costs						
Operator cost per platform hour	40.40	42.42	44.54	46.77	49.11	51.57
Vehicle operating cost per platform hour	15.62	16.40	17.22	18.08	18.98	19.93
Subtotal direct variable	56.02	58.82	61.76	64.85	68.09	71.50
Direct Fixed Cost						
Operations supervision per platform hour	3.61	3.79	3.98	4.18	4.39	4.61
Fleet maintenance service costs per platform hour	1.83	1.92	2.02	2.12	2.23	2.34
Other costs per platform hour	19.36	20.33	21.35	22.42	23.54	24.72
Subtotal direct fixed cost per platform hour	24.81	26.04	27.35	28.72	30.16	31.67
Indirect Fixed Cost						
General administration per platform hour	20.59	21.62	22.70	23.84	25.03	26.28
Marketing, planning, and CSC cost per platform hour	2.38	2.50	2.63	2.76	2.90	3.05
Subtotal indirect fixed costs per platform hour	22.97	24.12	25.33	26.60	27.93	29.33
Fully allocated cost per platform hour	103.80	108.98	114.44	120.17	126.18	132.50

Direct variable expenses have a strong correlation with service changes. These expenses include the cost of direct labor such as operator wages, fuel, parts, mechanics, and cleaners. The fiscal year 2004-2005 cost per platform hour is $56.02.

Direct fixed costs are closely associated with service but do not increase by small incremental service changes. These costs tend to stay flat until conditions warrant their increase. These expenses include direct supervision of operators, labor for the parts department, transportation administration, and depreciation of buses and shelters.

Indirect fixed costs include the general administration costs of the District. These are considered shared costs and include the general management, planning, finance, information services, personnel, facilities, some depreciation, and safety and risk.

The cost allocation model uses the trial balance worksheet as a basis for the expenses. Please consult the cost allocation model for the detail on how the expenses were classified by category.

Special Events Rate

The Special Events rate for the period of November 1, 2005, to October 31, 2006, is **$109.00**.

The rate in future years is estimated to be approximately:

November 2006 -- $115.00

November 2007 -- $121.00

November 2008 -- $127.00

November 2009 -- $133.00

The rates for future years are estimates only and should be used only as a guideline. When providing a quote for a future year, please remember to caution the customer that this is estimate only. The reliability of the number decreases the farther out the quote for service is for. Ask the customer to check back for a more accurate rate as the date of the event draws near. The rates are calculated using the actual expenses of operating the District. The rate estimates for future years are based on an annual increase of 5 percent. The change in actual expenses over the last 10 years has ranged from a decrease of 1 percent to an increase of 11 percent.

DELIVERED PACKETS

DEBBIE DAVIS
US BANK, SPRINGFIELD OFFICE
PD-OR-3126
437 MAIN STREET
SPRINGFIELD OR 97477

DEAN KORTGE
PACIFIC BENEFIT CONSULTANTS,
450 COUNTRY CLUB ROAD, SUITE 330
EUGENE, OR 97401

NEWS EDITOR
SPRINGFIELD NEWS
1887 LAURA STREET
SPRINGFIELD, OR 97477

MATT COOPER
REGISTER GUARD
PO BOX 10188
EUGENE, OR 97440

DAN EGAN
SPFLD. CHAMBER OF COMMERCE
PO BOX 155
SPRINGFIELD, OR 97477

AL GOOD
85961 EDENVALE RD
PLEASANT HILL, OR 97455-9743

COMMISSONER BILL DWYER
5558 THURSTON ROAD
SPRINGFIELD, OR 97478

ED OXENREIDER
OLIVE PLAZA
1133 OLIVE STREET
EUGENE, OR 97401

RICK GROSSCUP
2540 LINCOLN STREET
EUGENE, OR 97405-2614

GERRY GAYDOS
GAYDOS, CHURNSIDE & BALTHROP
440 E. BROADWAY #300
EUGENE OR 97401

DAVID GANT
SELCO GATEWAY FINANCIAL CENTER
925 HARLOW ROAD, SUITE 210
SPRINGFIELD, OR 97477

MIKE EYSTER
UNIVERSITY HOUSING
1220 UNIVERSITY OF OREGON
EUGENE OR 97403-1220

Mailed Packets

ODOT-TDB
PUBLIC TRANSIT SECTION
555 13TH STREET NE
SALEM, OR 97310

Tom Schwetz
Lane Council of Governments
99 East Broadway, Suite 400
Eugene, OR 97401-3111

Tammy Fitch
WHA Insurance
2451 Willamette St
Eugene, OR 97405

JOAN RICH
LEAGUE OF WOMEN VOTERS
2050 MADISON
EUGENE, OR 97405

DAN BROWN
SPRINGFIELD PUBLIC WORKS
225 5TH STREET
SPRINGFIELD, OR 97477

SUSAN BAN
EXECUTIVE DIRECTOR
SHELTERCARE
1790 WEST 11TH , SUITE 290
PO BOX 23338
EUGENE, OR 97402

ROGER SAYDACK
ARNOLD GALLAGHER SAYDACK, ET EL
800 WILLAMETTE , SUITE 800
EUGENE, OR 97401

JACKMAN WILSON
REGISTER GUARD
PO BOX 10188
EUGENE, OR 97440

EUGENE CHAMBER OF COMMERCE
1401 WILLAMETTE
EUGENE, OR 97402

DUANE FAULHABER
2190 LAW LANE
EUGENE, OR 97401

KIM YOUNG
CITY MINUTES RECORDER OFFICE
777 PEARL STREET
EUGENE, OR 97401

AUTO RELIEF
455 WEST 1ST AVENUE
EUGENE, OR 97401

MAYOR SID LEIKEN
CITY OF SPRINGFIELD
225 5TH STREET
SPRINGFIELD, OR 97477

ROBERT ZAKO
1000 FRIENDS OF OREGON
1280-B EAST 28TH AVENUE
EUGENE, OR 97403-1616

MARY NEIDIG	SUSAN _______ JEAN _______ MARY ANN ________	LINDA LYNCH
CHRIS THRASHER	KEN HAMM	MARK PANGBORN
ANDY VOBORA	DIANE HELLEKSON	JO SULLIVAN
STEVE PARROTT	TODD LIPKIN	CAROL JAMES
WEB PAGE	FLEET SERVICES FLEET SERVICES	TOM BRUSH
TERRY PARKER	TRANSIT OPERATIONS OPS LOUNGE	

AGENDAS TO THE FOLLOWING:

	KERA ABRAHAM EUGENE WEEKLY 1251 LINCOLN EUGENE OR 97401	CRESWELL CHRONICLE P.O. BOX 428 CRESWELL, OR 97426
COTTAGE GROVE SENTINEL P.O. BOX 35 COTTAGE GROVE, OR 97424	BRAD KLEINER LAMAR ADVERTISING 4730 S.W. MACADAM, SUITE 201 PORTLAND OR 97239	NEWS DIRECTOR – KMTR 3825 INTERNATIONAL COURT SPRINGFIELD, OR 97477
NEWS DIRECTOR KKNU/KMGE 925 COUNTRY CLUB ROAD #200 EUGENE,OR 97401-22978	GEORGE KOKIS 2465 JEFFERSON STREET EUGENE, OR 97405	LAURA HALL – KPNW PO BOX 1120 EUGENE, OR 97440
ERIC GUNDERSON WBGS 72 WEST BROADWAY EUGENE, OR 97401	TOM MCDONNEL 2795 CHUCKANUT EUGENE, OR 97401	BILL BRACKMAN 736 CREST DRIVE EUGENE, OR 97405

COREY SHUMWAY
LAMAR ADVERSTISING
4211 W. 11TH AVENUE
EUGENE, OR 97402

NEWS DIRECTOR – KLSR
2940 CHAD DRIVE
EUGENE, OR 97408-7374

KATHY WILTZ
CMW+K
2260 Oakmont Way, Suite 7
Eugene OR 97401

MARY WALSTON
CITY OF EUGENE-CMO
777 PEARL ST. ROOM #105 A
EUGENE, OR 97401

MICHAEL GANNON
PO BOX 10324
EUGENE, OR 97401

B. DEAN HUBER
1126 S. 44TH STREET
SPRINGFIELD, OR 97478

P. MAUREEN SICOTTE
660 E STREET
SPRINGFIELD, OR 97477

DARRELL WILLIAMS
PINOCCHIO'S PIZZA
P.O. BOX 629
COTTAGE GROVE, OR 97424

NIEL LAUDATI
City Manager's Office
225 Fifth Street
Springfield, OR 97477

RUSS BRINK
132 East Broadway, Suite 103
Eugene, OR 97401

DWIGHT COLLINS
1600 ORCHARD STREET
EUGENE OR 97403

JON HINDS
830 FIFTH STREET
SPRINGFIELD OR 97477

CHARLIE KIMBALL
28072 BRIDGES LANE
EUGENE OR 97402

BRUCE MILLER
P.O. BOX 50968
EUGENE, OR 97405

Budget committee information

Fax Agenda only
REGISTER GUARD- 683-7631
CITY OF SPRINGFIELD 726-2363
JASON HEUSER
CITY OF EUGENE 682-5894

Legal Notice

Date: May 11, 2020

To: Carol Johnson, Legal Publications
The Register-Guard; Fax: 687-6668

From: Chris Thrasher, Administrative Secretary
Lane Transit District; Phone: 682-6200

RE: Notice of Board Committee Meeting
LTD Purchase Order #A-04856

Please publish the following legal publication on Sunday, February 5, 2006.

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, February 7, 2006, at 7:30 a.m., in the LTD Board Room at 3500 East 17th Avenue, Eugene (in Glenwood). Items for discussion include pension plans, Long-Range Financial Plan, group pass and special service pricing, and Transportation Call Center.

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).

Q:\Reference\Board Packet\2006\02\Finance Committee 2-7-06\Legal notice to RG.doc

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

February 7, 2006

Pursuant to notice given to *The Register-Guard* for publication on February 5, 2006, a meeting of the Lane Transit District Board of Directors Finance Committee was held at 7:30 a.m. on February 7, 2006, at Lane Transit District, 3500 East 17th Avenue, Eugene.

PRESENT - Debbie Davis, David Gant, Dean Kortge

CALL TO ORDER – Mr. Kortge called the meeting to order at 7:35 a.m.

ROLL CALL – It was noted that all members of the committee were present. The following LTD staff also attended: Diane Hellekson, Mark Pangborn, Carol James, Andy Vobora, Mary Neidig, Terry Parker, Todd Lipkin, Steve Parrott, Mark Johnson, and Charlie Simmons.

MINUTES – The minutes of the January 12, 2006, meeting were approved unanimously.

GROUP PASS PRICING – Mr. Vobora, director of marketing and communication, stated that the Finance Committee, at its January 12, 2006, meeting, discussed a change to pricing methodology outlined in the Group Pass Policy. This involved moving away from calculating price changes based on the three-year rolling average of LTD costs to using the Consumer Price Index (CPI). After further discussion, staff recommended that the committee consider a pricing methodology that uses the current methodology, while paying particular attention to the CPI. Staff believed that the cost to provide service is reflected in the three-year rolling average method, but by using the CPI method, the District's goal of maintaining and improving farebox recovery will become more difficult. Staff believed that the three-year rolling average pricing method, which resulted in a 9 percent increase for the coming year, was too aggressive for some of the group pass participants. Staff subsequently recommended leaving the language in the policy as is and increase the group pass price by 6 percent for calendar year 2007, which is a rate between the three-year rolling average and the Portland CPI which stands at 2.5 percent. Higher fuel costs and labor attributed to the three-year rolling average.

The committee approved proceeding forward with communication to group pass organizations for review and comment. Staff will bring a resolution to the full Board for approval in April.

SPECIAL SERVICE PRICING – Mr. Vobora referred the committee to the Fully Allocated Cost Plan that was included in the agenda packet. Each year staff updates the Fully Allocated Cost Plan following adoption of the previous year's audit report. Following the completion of the fiscal year, actual expenses are affirmed through the audit process, which provides the basis for updating the Fully Allocated Cost Plan. The updated plan provides the District the information from which to change special service pricing. Due to increases in costs resulting from fuel and personnel services cost increases in FY 2004-05, the fully allocated rates will increase significantly for the coming year.

The District determines special service rates based on event size and complexity. Most events pay what is called the "level one" rate, which is equal to the sum of direct costs plus one-half of the indirect cost. Currently, UO football shuttles is the only event paying the "level two" rate, which is the fully allocated rate. The level one rate will increase from $78 per hour to $92 per hour, and the fully allocated rate will increase from $91 per hour to $104 per hour. Staff believe some special event organizers may be unable to continue providing shuttle services through LTD at that rate. The UO is aware of the proposed rate increase to $104 per hour for football shuttles, which is a total increase of approximately $41,000. The increase for the Oregon Country Fair would result in an additional $7,800.

Mr. Gant asked that the special events organizers be given advance notice for their budgeting purposes.

The committee and staff believed it is important to have a consistent policy but also one that could be modified for special circumstances.

The committee gave its approval to move forward.

MEDICAID MEDICAL TRANSPORTATION CALL CENTER & BROKERAGE – Ms. Parker, accessible services manager, stated that since the Board's initial discussion last September, staff has researched call centers and brokerages with TriMet, Albany, Salem brokerages, and other transit agencies around the country. The state of Florida and the City of Pittsburgh have programs similar to what LTD proposes.

Ms. Parker noted that possible flaws included financial risk and software packaging.

In response to a question from Mr. Kortge, Mr. Parker stated that Medicaid management means determining rider and service eligibility and who pays before scheduling and providing Medicaid trips. To a small degree this service is currently being provided by LCOG Senior & Disabled Services, but the state is requiring a more extensive management process.

Mr. Gant asked if the software would manage reimbursement. Ms. Parker stated that currently the state provides fee for service in Lane County; the rest of the state has moved toward brokerages. A brokerage takes all the calls for medical trips and verifies eligibility. Currently, case managers verify eligibility for Medicaid. A brokerage is a better way to manage the public dollars that are being used to get people to and from their medical trips.

What does not occur today in Oregon is a system like RideSource that provides a certain number of rides with a publicly funded fleet and takes the Medicaid rides and imposes, when possible, some sharing. LTD proposes putting those two pieces together to eliminate single-person trips whenever possible; however, sometimes single-person trips are required, e.g., hospital discharges and stretcher cars.

Staff discovered that you need control of the entire fleet to maximize for 100 percent of the rides. LTD has contracts with South Lane Wheels in Cottage Grove and RideSource in Eugene, Springfield, and Oakridge. Other trips would be outsourced to taxis and other providers in the community. LTD's goal is to get more efficient and fully paid trips.

Mr. Kortge asked if a private organization could provide the service. Ms. Parker stated that the organization would need to be fairly sophisticated. LTD will go out to bid for this service. Special Mobility Services bid on brokerage services in Spokane. There are also national companies that provide brokerage service.

Mr. Gant asked if there was a model to measure the results.

(Mr. Simmons arrived.)

Ms. Parker stated that the state keeps annual data on all seven state brokerages. All rates and budgets have been analyzed and a preliminary budget has been created, which Ms. Parker distributed.

Mr. Kortge asked if the program would be a fee for service contract. Ms. Parker stated that the fee is based on cost per ride, which includes operation of the brokerage. The program would need to be self-sustaining and would include a two-year development phase. Every start-up brokerage has doubled its projected ride rates.

Ms. Parker stated that another issue is where to house the program. The current RideSource facility could house two people. If more than two people were needed to run the program, there is a facility on the RideSource property that could be renovated.

Ms. Hellekson, director of finance and information technology, stated the following reasons she believed the Board might want to move forward with this project: (1) efficiency, (2) better service by providing locally, and (3) possibility it could level off the subsidy that the General Fund is providing to the Accessible Services Fund. Ms. Parker stated that experience shows that if transit is not involved, the human service brokers dump their rides onto the transit system because it is a least cost provider.

The committee approved presenting the information to the full Board in March. Mr. Gant hoped this would be an opportunity for positive press.

PENSION PLANS – Ms. Neidig, director of human resources, stated that the ATU and Salaried Employees pension plans are underfunded. Mr. Pangborn added that the Board is obligated to fully fund both plans. A fund manager was hired to project the level of interest a new program could earn for the trusts. Copies of “Pension-Related Issues and Options” were distributed. These options—pension funding, interest rate assumption, and COLA--were also presented to the Board Human Resources Committee on January 24.

In response to a question from Mr. Kortge, Ms. Neidig stated that the responsibility for the Salaried Employees pension plan lies with the Board; trustees have the responsibility for the ATU pension plan in which the District has 2 of the 4 votes.

Mr. Pangborn stated that for the last 23 years the interest rate assumption has been 8 percent. Ms. Neidig stated the possibility that if the policy were not changed, over time things could settle out.

LTD’s new fund manager, R.V. Coons, recently developed recommendations for both plans. Based on prior investment history and by hiring specific fund managers, he believed LTD could achieve a 7.25 to 7.5 percent interest rate return. However, we could not achieve an 8 percent return with our current risk profile. R.V. Coons then developed an asset allocation plan that met LTD’s risk profile and the funds’ needs. From there they picked the best performing managers with some leeway. Coons would monitor the performance and advocated not moving money around. LTD actuary, Peter Sturdivan of Milliman USA, believed that 8 percent is still attainable but is at the top end of the range.

Ms. Neidig referred the committee to an ATU pension funding policy study on page 19 of the agenda packet. Based on 100 percent funding of the plan, the study showed the required contribution at 8 percent, 7.5 percent, and 7 percent interest rate return assumption over a 24-, 20-, and 15-year amortization period. The Salaried Employees pension plan funding study showed the required contribution at the same interest rate return assumptions but over a 20-, 15-, and 10-year amortization period.

Ms. Hellekson stated two reasons for underfunding of the ATU pension plan: (1) rate of return assumption was unrealistic, and (2) granting of unfunded benefits.

(Mark Johnson arrived.)

Ms. Neidig stated that for the ATU pension plan a 20-year amortization at 7.5 percent interest rate return assumption would require an additional $165,000 annual contribution; the Salaried Employees plan would require an additional $90,000 using the same assumptions. The average employee service is approximately 20 years. The Salaried Employees pension plan was moved to a 20-year amortization three years ago. Ms. Neidig believed that consistency between the funds is important.

Ms. Hellekson noted three possible approaches: (1) level dollar amortization method, (2) level percent of pay amortization method, and (3) $2 million upfront contribution.

Mr. Pangborn noted that the 2000 ATU contract changed the contribution.

(Mr. Simmons left.)

In response to a question from Mr. Gant, Ms. Neidig stated that the assumed interest rate is reviewed every two years at the trustee level with the Board president serving as a trustee. Mr. Pangborn added that the trustees meet with the fund manager on a quarterly basis. Mr. Gant asked that the policy be changed to include an annual review by the Board.

Staff asked that the committee make a recommendation to the Human Resources Committee. The committee agreed on 20 years amortization for both plans and asked staff to provide a calculation at a 7.25 percent interest rate return.

LONG-RANGE FINANCIAL PLAN - Ms. Hellekson presented a new version of the eight-year financial plan. The new version changed the assumption of 8 percent payroll tax receipt growth in the current fiscal year and FY 2006-07 and changed the return on investment assumption for both pension plans from 8 percent to 7.5 percent with a 20-year amortization of the two plans' unfunded liabilities. It also assumed, as in the previous version, that we would not borrow until needed. Therefore, the transfers to Capital continue throughout the plan and we borrow $3.5 million in Year 4. It also draws down the reserves to the $2 million limit by Year 4. Personnel Services assumptions included continuation of benefits at current levels and a $300,000 provision for new positions.

This plan minimizes borrowing and gives LTD a couple of years while maintaining reserves at the current $3 million level. Ms. Hellekson stated her concern regarding the reduction of reserves to the $2 million level, which was seconded by Mr. Kortge. At some point, Capital reserves would need to be increased potentially to meet New Starts requirements.

Mr. Gant asked for a history of what was done with the $3 million reserve over time. Ms. Hellekson responded that LTD used $800,000 from reserves last year. Ms. James added that in 2001 staff positions were cut instead of using reserve dollars. Mr. Kortge stated that $1 million is for self-insurance.

Ms. Hellekson stated that reserves used to be 25-40 percent of operating costs, which was considered prudent. At the same time, interest earnings used to be a sizable part of LTD's operating subsidy.

Staff would provide a final proposal of the Capital Improvements Program (CIP) and Long-Range Financial Plan (LRFP) to the committee in March that includes retirement issue outcomes.

NEXT MEETING – Another meeting of the committee was tentatively scheduled for March 1.

ADJOURNMENT – There was no further discussion, and the meeting adjourned at 8:50 a.m.

(Recorded by Chris Thrasher, Lane Transit District)

Q:\REFERENCE\BOARD PACKET\2006\02\FINANCE COMMITTEE 2-7-06\MINUTES 2-7-06.DOC