

MINUTES OF FINANCE COMMITTEE MEETING
LANE TRANSIT DISTRICT BOARD OF DIRECTORS

December 16, 2015

Pursuant to notice given to *The Register-Guard* for publication on December 13, 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 December 16, 2015, at Lane Transit District, 3500 East 17th Avenue, Eugene.

PRESENT – Gary Wildish, Carl Yeh (Chair)

ABSENT – Ed Necker

CALL TO ORDER – Mr. Yeh called the meeting to order at 3:35 p.m.

ROLL CALL – Committee members Carl Yeh and Gary Wildish were present; committee member Ed Necker was absent. The following LTD staff also were present: CFO Todd Lipkin, Controller Tom Schamber, General Manager Aurora Jackson, Director of Customer Services and Planning Andy Vobora, and Administrative Secretary/Minutes Recorder Chris Thrasher.

MINUTES – Minutes from the February 4, 2015, meeting of the Board Finance Committee were approved by unanimous vote.

FARES AND FARE POLICY – Mr. Vobora stated that staff had been working with attorneys to make administrative changes to the Policy and to add threshold 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. Once the outreach process is finished, staff will present the changes to the full Board.

Mr. Vobora asked the Committee for its recommendation regarding fare increases for Fiscal Year (FY) 2016-17. If fare increases are recommended, staff would start analysis using information gathered from the Origin & Destination Study, which is expected to be completed in January 2016.

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. Last year the rotation was to look at ticket prices. For a variety of reasons, the Board chose not to increase any fares for FY 2015-16. Maintaining the rotation would mean that the District should evaluate a modest increase in the price of ten-ride tickets for the coming year; however, staff noted 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.

Mr. Vobora stated that the Committee might consider 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. Another option would be to maintain the current fare prices since

ridership is down; however, the District was beginning to invest in service again, which was asking the taxpayers to pay more.

Mr. Yeh asked what would happen if ticket prices were held flat. Mr. Vobora stated that the single-ride ticket was reintroduced a few years ago after years of having tokens. He said that he believed that there would not be a significant revenue change. Fifty percent of ten-ride ticket book purchases are by agencies for use in their programs.

Mr. Vobora stated that staff are developing a Request for Proposal for the management part of the electronic fare management program. The timeline is for a soft launch by Spring 2017 with full implementation by Fall 2017. Once that system is in place, there should be more options in terms of fare pricing, both for the group pass rider and the general public.

In response to a question from Mr. Wildish, Mr. Vobora stated that the difference between the ticket price and the cash fare is 10 percent.

Mr. Wildish asked what the impact would be by not increasing the \$1.60 ticket fare. Mr. Lipkin replied that there would be minimal impact on the revenue budget and that last fiscal year's revenue was approximately \$270,000. Mr. Vobora stated his belief that agencies would continue to buy the ten-ride ticket books if the fare were to increase because it is more convenient for their programs.

Mr. Vobora said that, historically, cash fare increases were in small increments of 5 cents; but in 2000, the increases started to be larger (25 cents). The last cash fare increase occurred in July 2012 when the adult fare was increased from \$1.50 to \$1.75.

Mr. Vobora asked the Committee, in light of ridership being down and where the District is with investment in service, if it was the right time to make an adjustment in fares. If there is a big change in cash fares, the Title VI issue could come into play more to see if there is disparate impact.

Ms. Jackson stated that sometimes there is a cost to accepting the fare. There is a desire to incentivize the purchase of longer term media. There are different models that can be used by looking at ridership trends and by looking at the cost to take fares.

Mr. Yeh asked about the reason the other 50 percent (other than the agencies) are buying ticket books. Mr. Vobora stated that, historically, it has been parents who buy them for their children instead of giving cash or for the occasional rider who wants a cheaper fare.

Mr. Lipkin added that low fuel prices have an impact on people's decisions to ride the bus.

Mr. Vobora stated that the Origin & Destination Survey would show the types of fare media people are using. In larger metro systems, cash users are sometimes 50 percent or more; LTD's cash users have been around 33-35 percent. Mr. Vobora said that he would reach out to LTD's peer group of agencies.

Mr. Yeh asked that if ticket prices were to increase, would the District feel obligated to increase the cash fare. Leaving it as is would give options to raise at a later time.

Mr. Vobora stated that the electronic fare management system could open doors in terms of differential pricing structures.

Mr. Lipkin added that the real modeling of scenarios would be when looking at options to manage this project--the flexibility in establishing fare structure.

Mr. Vobora announced that the University of Oregon wants both their staff and student group pass contracts to renew at the same time. The UO would be interested in knowing how many of their employees and students are riding the bus.

In response to a question from Mr. Wildish, Mr. Lipkin stated that LTD has budgeted \$2.8 million for the electronic fare management system, which includes replacing fareboxes.

Mr. Vobora stated that staff have been looking at a reloadable "stored value card" system. TriMet is implementing a regional model with C-Tran, and Oregon Department of Transportation would like the whole state to use the same system. It could be possible to have a statewide card if all the other systems buy into that. What LTD decides to do will be compatible with other systems.

Mr. Vobora added that staff would gather more information and data to continue the conversation. If the Board chooses to increase fares, that would be included in the public hearing process through the spring.

RESERVE POLICY – Mr. Lipkin referred the Committee to the Reserve Policy that was included in the agenda packet. Staff recommended a revision of the policy. He noted that the policy states that the total General Fund reserve shall never be less than 7 percent of the base expense total and shall not exceed 13 percent of this total. Current policy states that excess funds shall be transferred to the Capital Projects Fund. Through the Long-Range Financial Plan process, the Board in the past has directed that the excess be put into service and invested in the community.

At the time the policy was adopted by the Board in April 2000, bus rapid transit discussions were starting and there was a push to build capital funding. Staff would like feedback from the Board on what is important now in terms of the excess.

Ms. Jackson noted that transferring excess funds into a capital fund allows for a one-time purchase only.

Mr. Vobora added that had there been a more robust reserve during the 2001 and 2008 recessions, there might not have been the need for such dramatic service cuts.

Mr. Yeh asked if it would be possible to have a discretionary fund.

Mr. Schamber, controller, suggested a reserve for economic downturn.

Mr. Lipkin believed changes to the policy need to be made to define the situations when to spend the reserves, such as for emergencies and economic downturns.

Mr. Lipkin distributed copies of a chart that showed reserve estimates based on operating costs out through FY 2024-25. Operating costs included transfers to the Accessible Services and Medicaid Funds. In response to a question from Mr. Wildish, Mr. Lipkin stated that the chart represents a 3.5 percent to 4 percent growth rate.

The Government Financial Officers Association (GFOA) recommends a reserve of two months' general fund operating expenses. Ms. Jackson would see if APTA has a best practice.

Mr. Lipkin suggested adding language that governs how reserve funds would be replenished if you should have to dip into it.

Staff asked for guidance as to what the Board might want to see as far as Long-Range Financial Plan scenarios.

Mr. Wildish liked some of the suggestions for modification. He believed a 13 percent maximum was too low.

Ms. Jackson also recommended looking at transferring reserve funds to other liabilities or self-insurance funds to make the funds more accessible.

Mr. Wildish would like to avoid dipping into service, which could take several years to add back.

Staff would develop different scenarios and recommendations for changes to the reserve policy.

LONG-RANGE FINANCIAL PLAN (LRFP) – Mr. Lipkin referred the committee to last year's Long-Range Financial Plan, which was included in the agenda packet. The LRFP is staff's 10-year strategic and financial projection that informs the District's budget. Highlights included the following:

- Planned for a three-year strategy to increase investment in the community.
- Planned for \$800,000 in payroll taxes; due to payroll tax increase, will update the plan to start with \$1.2 million.
- Starting working capital will be between \$19 million to \$20 million.
- Budget revenue low and expenditures high.
- Fuel prices have been low.
- Budget personnel as fully staffed, but we never are fully staffed.
- Payroll tax revenue has been higher than budget.
- Transfer to Accessible Services Fund has been below budget.
- Increasing the reserve level may impact some of the other plans.

In response to a question from Ms. Jackson, Mr. Lipkin stated that cost per revenue hour was \$151 last year.

Mr. Wildish suggested that the Board could use a more in depth discussion to better understand the LRFP.

Staff would develop three preferred scenarios as well as a live working model. The goal would be to finalize LRFP assumptions by the March 2016 Board meeting.

Mr. Lipkin added that the Capital Improvements Program (CIP) process would start in January 2016 with a public review period in February 2016 and approval of the CIP by the Board in March 2016 or April.

NEXT MEETING – No meeting was scheduled at this time. There was discussion about a possible committee meeting at the end of January or a full Board work session.

ADJOURNMENT – There was no further discussion, and the meeting adjourned at 4:51 p.m.

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

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