

MINUTES OF FINANCE COMMITTEE MEETING
LANE TRANSIT DISTRICT BOARD OF DIRECTORS

October 25, 2005

Pursuant to notice given to *The Register-Guard* for publication on October 23, 2005, a meeting of the Lane Transit District Board of Directors Finance Committee was held at 8:00 a.m. on October 25, 2005, at Lane Transit District, 3500 East 17th Avenue, Eugene.

Present: David Gant, Dean Kortge
Absent: Debbie Davis

CALL TO ORDER - The meeting was called to order at 8:12 a.m.

ROLL CALL – It was noted that Mr. Gant and Mr. Kortge were present. The following LTD staff also were present: Diane Hellekson, Ken Hamm, Carol James, and Andy Vobora.

ELECT CHAIR – Mr. Gant nominated Mr. Kortge as Committee Chair, and Mr. Kortge accepted. This was the first meeting of the Committee since its last meeting in February 2004. All members were new to the Committee.

FARE POLICY – Mr. Vobora, director of communications and marketing, reviewed the current Fare Policy. Typically, a formal plan precedes the budget process and is presented to the Finance Committee in December or January, followed by presentation to the full Board in conjunction with the service proposal. An increase in fares requires two ordinance readings, public hearings, and public outreach.

The following guidelines in the Fare Policy were discussed:

- *#4 – The RideSource fare should exceed the fare of the fixed-route system to reflect the higher cost of a RideSource trip and to encourage use of the fixed-route system when possible.*

Discussion: RideSource fares are at the maximum. They change in step with the fixed-route cash fare. The Committee agreed to leave as is.

- *#7 – Increases to the base fixed-route fare generally should not exceed 25 percent within a year.*

Discussion: Although the 25 percent benchmark has never been exceeded, Mr. Vobora believed it would be better to lower the amount. The Committee reviewed LTD Pricing History and a comparison of fare media prices with similar-sized agencies. For cash fares, LTD is in the top third at \$1.25, with the average at \$1.03; pass prices are in the middle at \$35 per month, with the average at \$33.57. Increases throughout the peer group have been in pass prices. LTD's total percentage change since 1981-82 showed 99.5 percent for cash fares, 98.2 percent for tokens, and 70.8 percent for passes. In looking at increases, Mr. Hamm noted that typically riders who pay cash fare cannot afford passes. If the cash fare were raised too high, it may cut out those people who need transportation the most. He

would rather see a pass price increase. Mr. Vobora noted that group pass rates increase yearly.

Mr. Gant wanted more research as to why the rates vary so widely among the agencies. Mr. Kortge stated that in the past, percentage ratio drove fare prices.

In the Fare Discounts section of the Fare Policy, Mr. Vobora recommended adding 501-c-19 agencies to cover veterans' groups, per a request from the American Legion Post.

In the Group Pass Program pricing section, Mr. Vobora recommended changing the language to reflect that the base rate will be increased annually, not to exceed the change in **consumer price index** (CPI), instead of using a three-year rolling average of operating costs. He noted that participating businesses are more familiar with the CPI, which drives their costs. Staff would provide comparative information at the next meeting.

The Committee discussed the feasibility of instilling zone fares. Mr. Vobora noted that LTD used to have a three-zone fare system. Staff calculations showed that if a 25-cent surcharge were applied to rural routes, the District would recognize an annual increase in revenue of \$87,474. Mr. Gant did not support a surcharge for rural areas if fares for BRT are free. Mr. Kortge believed the program would not be popular for large group pass businesses that are outside the Eugene-Springfield city limits.

Staff recommended, and the Committee approved, honoring monthly passes through the third day of the following month.

Mr. Vobora asked if the Committee would like to add language stating LTD's philosophy, such as fares will always be at the average, to help evaluate fare increases. Mr. Kortge suggested setting the 20 percent rule regarding farebox recovery as a policy, instead of a target. Mr. Vobora stated that the public would prefer incremental fare increases; however, transit agencies must cover increasing operating costs. Mr. Gant suggested including a list of bulleted points that each Board would use to evaluate recommendations for changes to fares. Staff would reword Guideline #2.

PRICING PLAN - Mr. Vobora clarified that the Pricing Proposal Summary included in the agenda packet was actually the adopted pricing plan for FY 2005-06 and was included only as a reference. The proposed Group Pass rates listed would be effective January 1, 2006.

Mr. Gant asked if other transit agencies with high fares offer large discounts for need groups. He gave the example of scholarships given at private colleges. Mr. Vobora stated that there is a vast variance.

Ms. Hellekson noted that very few transit agencies have written fare policies.

INVESTMENT POLICY – Ms. Hellekson stated that the current Investment Policy was included in the agenda packet and that that the Finance Committee would receive investment reports on a quarterly basis. Prior to November 2000, the Investment Policy was extremely conservative with the original goal being to eliminate all risk. In November 2000, the policy was revised to expand the list of authorized investments, within statute limitations, to improve returns. A requirement was also added to keep \$1 million out of the Local Government Investment Pool (LGIP) because of a three-day closure during the floods of 1996 in which no funds could be withdrawn.

Ms. Hellekson added that staff have never done a reverse repurchase agreement nor repurchase agreement because (1) they are very short term, and (2) the LGIP works fine. The Committee had no amendments to the policy.

INVESTMENT REPORT - Ms. Hellekson stated that staff have a list of private institutions with whom LTD has previously invested with good results. Ms. James distributed copies of the October 2005 Investment Report that showed the following:

	<u>Book Value</u>
LGIP at 3.58%	\$15,324,135.48
Umpqua Bank Certificate of Deposit at 4.5%	1,000,000.00
Bank of America - Federal Home Loan Mortgage Corp at 4.216%	<u>1,000,678.97</u>
	<u>\$17,324,814.45</u>

Ms. James stated that current economic indicators show an inverted yield curve, indicating a recession is coming, which means you invest short. The LGIP is a good place to keep money when the market is going down, but it does not respond as quickly as the outside when interest rates go back up. In the years 2002 and 2003, interest rates dropped to 1.25 percent for the LGIP, but private companies did not offer much better, so money was held in the LGIP. Maintenance fees for the LGIP are minimal at \$10 per month and 25 cents per transaction. Transaction limits for the LGIP are \$1.5 million on a same-day federal wire or up to \$30 million in a single ACH transaction.

The funds held by Bank of America are in the form of a six-month note issued by Freddie Mac. In current light of problems Freddie Mac is having, staff still felt comfortable holding money in this short-term note.

Mr. Hellekson stated when it is time to reinvest, staff compare CD rates, LGIP rates, and other options and will assess LTD's liquidity requirements. Ms. Hellekson and Ms. James make the final decision. Larger organizations usually employ a full-time investment person.

NEXT MEETING – The next meeting was scheduled for November 8 beginning at 7:30 a.m. if Ms. Davis' schedule allowed.

ADJOURNMENT – There was no further discussion, and the meeting adjourned at 9:00 a.m.

(Recorded by Chris Thrasher, Lane Transit District)