MINUTES OF FINANCE COMMITTEE MEETING

LANE TRANSIT DISTRICT BOARD OF DIRECTORS

March 7, 2006

Pursuant to notice given to *The Register-Guard* for publication on March 5, 2006, a meeting of the Lane Transit District Board of Directors Finance Committee was held at 7:30 a.m. on March 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 7:34 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, Todd Lipkin, Stefano Viggiano, and Charlie Simmons.

**MINUTES –** Mr. Gant moved, seconded by Ms. Davis, for approval of the minutes of the February 7, 2006, Finance Committee meeting. Motion passed unanimously.

**GROUP PASS PROGRAM POLICY –** Ms. Hellekson, director of finance and information technology, speaking in Andy Vobora's absence, stated that a new group pass program participant, a not-for-profit entity registered with the State of Oregon, has taken advantage of the program's low pricing and is soliciting membership by offering discounted LTD passes. The intent of the group pass program is to offer passes to an identified group in an effort to create greater transit ridership while maintaining a revenue neutral position. The group pass pricing strategy maintains revenue neutrality for the District when the group size is known and somewhat static. This pricing strategy breaks down quickly when the group size is largely unknown and growing almost daily. New language for the Group Pass Policy was proposed to tighten the criteria under which groups qualify for participation. Once the policy changes are approved by the full Board, the contract with the organization will be cancelled.

> *The committee approved the changes to the Group Pass Policy and will forward the recommendation to the full Board for action on March 15, 2006.*

**CAPITAL IMPROVEMENTS PROGRAM (CIP) –** Ms. Hellekson stated that two versions of the CIP were included in the agenda packet. Both versions included the following components, which had been previously discussed:

- Holding the Pioneer Parkway EmX corridor budget to $38 million, including vehicles.
- Deferring a third EmX corridor implementation until Year 9 of the plan.
- Moving the Pioneer Parkway EmX corridor implementation up one year, as discussed at the full Board meeting on February 15.

Ms. James, accounting manager, stated that the difference between the two plan versions is that Version A assumes that five vehicles will be purchased for Franklin EmX service and four for Pioneer Parkway EmX service, and Version B assumes that six vehicles will be purchased for the Franklin corridor and three for the Pioneer Parkway corridor. The timing of the vehicle purchase varies but not the total number of vehicles required. She noted that Version B uses more formula funding.

Ms. James explained the color coding in the plans:

- Dark yellow – projects that were new or changed from last year's CIP
- Green – projects that are not yet funded
- Flesh – reductions in projects from last year's CIP
- Bright pink – percentage of New Starts match that we do not have; these amounts could be funded by ConnectOregon funding if approved
- Red – indicates deficits in formula funding
- Purple – represents bond proceeds

In response to a question from Mr. Gant, General Manager Mark Pangborn, stated that quite a few applications for ConnectOregon funding were submitted, with transit applications being over subscribed. ConnectOregon is in the process of winnowing.

In regards to formula funding deficits, Ms. James stated the formula funds are borrowed from a future period and used, which means we have to use cash to buy and assume we will get the formula money in grant proceeds the following year.

Ms. Hellekson stated that there could be two types of borrowing: 1) borrowing from ourselves using future funds; and 2) debt financing.

Ms. James stated that both versions have three options for funding the Capital account: 1) assuming transfers from the General Fund continue; 2) assuming debt financing the $8 million Pioneer Parkway EmX match; and 3) assumes the reduction of operating reserves with minimal debt financing.

Mr. Kortge noted that the Medicaid Brokerage/Call Center was added. Ms. Hellekson stated that it was added as a placeholder; no decision had been made to do it yet. Undertaking the Call Center would not require a General Fund investment; therefore, it would be a break-even venture.

The key question for the committee was when to purchase the EmX buses. Ms. James stated that if purchase of the sixth vehicle were moved forward, it would put LTD in a negative formula funding position for each of the next five years. Staff recommended Option 2 (assuming debt financing the $8 million Pioneer Parkway EmX match).

Mr. Simmons, facilities services manager, stated that New Flyer could supply the sixth vehicle as part of the Franklin EmX corridor order. Ms. Hellekson stated, however, that we would have to ask the Federal Transit Administration (FTA) for a waiver in regards to Altoona testing. Mr. Lipkin, grants administrator, added that FTA rules state that as long as the first vehicle has been through testing and we have reviewed the report from Altoona before acceptance and payment, we should be fine.

Mr. Gant asked what would happen if the vehicle failed Altoona testing. Mr. Viggiano, director of development services, stated that Altoona testing just reports what happens under certain conditions; it is not a pass/fail test. The purchaser makes the decision whether the result is acceptable. Mr. Simmons stated that the major concern is that the frame of the vehicle would fail the road test. Monitoring and fixes occur along the way.

Mr. Simmons reported that the first vehicle is currently at Altoona undergoing static and road testing.

Mr. Kortge explained to Ms. Davis that a sixth vehicle is needed as a spare to guarantee that 10-minute service is provided. The shorter the frequency, the more maintenance that is required. The community is expecting 10-minute frequency, although it could be an option to change the frequency mid-day if needed.

*The committee would recommend Version B to the full Board for discussion and approval at the March 15, 2006, meeting.*

In regards to funding options, Mr. James restated that Option 1 breaks down after the second year, Option 2 allows borrowing $8 million in Year 2, and Option 3 allows an operating reserve adjustment and minimal debt.

Ms. Hellekson stated that it is more efficient to issue one large amount of bonds. She noted that $8 million is not a large amount of money to borrow.

Mr. Gant and Ms. Davis believed that it would be prudent to borrow all at one time because interest rates are going to increase.

*The committee would recommend funding Option 2 to the full Board at the March 15, 2006, meeting.*

**LONG-RANGE FINANCIAL PLAN (LRFP) –** Ms. Hellekson stated that in order to consider the financial and planning requirements of moving one vehicle from the Pioneer Parkway EmX project to the Franklin EmX corridor, two versions of the draft LRFP were included in the agenda packet. Version A assumes five vehicles for the Franklin corridor and four vehicles for the Pioneer Parkway corridor. Version B assumes six for Franklin and three for Pioneer Parkway. All other assumptions in the two versions remain the same as in the last materials that were presented to the committee on February 7, 2006:

- Payroll tax receipts will grow at 8 percent in FY 2005-06, 7 percent in FY 2006-07, and 5 percent per year thereafter.
- Both the ATU and administrative employee retirement plans will assume a 20-year amortization period for full funding and 7.5 percent rate of return. This assumption results in an additional expense of $255,000 beginning in FY 2006-07.
- Otherwise, personnel services expenses will grow at 5 percent per year.
- Accessible Services programs will continue to be funded at levels required to meet demand, whether the services are required by ADA or not.
- Fixed-route service will require a 1 percent inflation factor after FY 2006-07, except in years where additional service is added, as for the Pioneer Parkway corridor.
- Planning for the third EmX Corridor will continue, but implementation will occur outside the eight-year planning window.

Version B also assumes $300,000 in new positions and an advertising campaign next year. Personnel services assumptions also were included in the agenda packet.

Ms. Hellekson stated that a wellness program was recently instituted in hopes of reducing health care costs, which has shown 30 percent participation.

> *Since the committee would recommend Version B of the Capital Improvements Plan to the full Board, the committee would also recommend the corresponding Version B of the LRFP to the full Board for discussion and approval at the March 15, 2006, meeting.*

**ADJOURNMENT** – There was no further discussion, and the meeting adjourned at 8:08 a.m.

(Recorded by Chris Thrasher, Lane Transit District)

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