

MINUTES OF FINANCE COMMITTEE MEETING
LANE TRANSIT DISTRICT BOARD OF DIRECTORS

November 4, 2008

Pursuant to notice given to *The Register-Guard* for publication on November 2, 2008, a meeting of the Lane Transit District Board of Directors Finance Committee was held at 4:00 p.m. on November 4, 2008, at Lane Transit District, 3500 East 17th Avenue, Eugene.

PRESENT - Mike Dubick, Dean Kortge, Ed Necker

CALL TO ORDER – Mr. Kortge, chair of the committee, called the meeting to order at 4:00 p.m.

ROLL CALL – All committee members were in attendance. The following LTD staff also was present: Diane Hellekson, Mark Pangborn, Carol James, Stefano Viggiano, Andy Vobora, Todd Lipkin, Mary Adams, Mark Johnson, and Chris Thrasher.

MINUTES – Minutes from the February 20, 2008, meeting were approved by Mr. Dubick and Mr. Kortge. Mr. Necker abstained since he was not a member of the committee at that time.

PRICING PLAN – With raised fares and changed fare availability in the summer of 2008, coupled with increased ridership, fare revenues have increased well ahead of projections. In order to prepare for the fiscal year 2009-10 budget, Mr. Vobora, director of service planning, accessibility, and marketing, asked the committee for direction regarding possible changes to the District's fare structure and charter service rate. The discussion included the following:

- The committee was more in favor of raising the monthly pass fare rather than raising the cash fare. Mr. Vobora would compile peer analysis data for the committee's review.
- Rapidly increasing ridership, at peak travel times, has created capacity issues on some routes. Two contributing factors are increased use of group passes by current riders and expansion of the group pass program to new organizations. The pricing of group passes increases annually according to the Group Pass Policy. These increases are indexed to increased operating costs; however, there are some who question whether the program continues to be revenue neutral. According to the Group Pass Policy, annual increases are not to exceed the three-year rolling average of LTD cost increases. Language in the policy could be changed to allow for a few percentage points above the three-year rolling average. Group passes will increase 8.8 percent effective January 1, 2009. Mr. Vobora believed that data from the current group pass survey could provide the committee with additional information needed in order to analyze the base price. The committee felt that raising group pass fares could exert economic pressure.
- Staff recommended, and the committee supported, that all charter services be priced at the District's fully allocated rate to ensure all costs are covered. This method would keep rates in line with private carrier rates.

Mr. Vobora stated that staff was currently in discussions with the UO regarding their group pass program. Staff may be asked to calculate the cost for additional service.

General Manager Mark Pangborn stated that the Board, at a future meeting, will discuss buying more articulated buses in order to help alleviate capacity issues. Articulated buses provide 50 percent more capacity. The purchase of additional buses would also require a remodeling of the Maintenance facility to accommodate repair of the vehicles. Mr. Lipkin, financial services manager, noted that it could be 18-24 months before LTD could acquire the buses.

REVENUE SCENARIOS – Ms. Hellekson, director of finance and information technology, distributed copies of three revenue scenarios that showed the cumulative revenue loss over a five-year period:

- (1) Optimistic -- \$6,959,720
- (2) Prolonged U-shaped recession -- \$8,412,720
- (3) Deep and prolonged recession -- \$12,175,720

The information illustrated the effect on payroll tax receipts of different economic assumptions. She noted that a small deviation from the Long-Range Financial Plan could have serious consequences for LTD.

To date, payroll tax receipts are equal to the receipts received a year ago; however, staff do not expect to see the budgeted 8 percent increase.

If the Capital Improvements Program (CIP) was adjusted to include only essential items and major capital projects, it could free up \$3.2 million over the next three years.

The credit market's effect on a public entity's ability to finance projects does not have a direct impact on LTD, in the short term, because LTD is not looking to issue bonds, for example. It does, however, have a more direct effect on LTD because the ability for other public agencies to finance their projects generates payroll tax revenue for LTD.

Ms. Hellekson asked the Committee for direction regarding using federal funds in the short term for operating expenses, which staff supports; thoughts on the state of the economy; and using the revenue analysis for the Long-Range Financial Plan.

Mr. Dubick believed that the current recession would last longer than previous recessions. From a capital standpoint, he recommended looking at projects LTD is committed to do. He believed manufacturing is effected by the credit crunch and is down.

Mr. Kortge recommended building in just the rate increase on the revenue scenarios. He believed companies could cut back or stop providing health care benefits but health care delivery would continue.

Currently, there are no major construction projects that would generate payroll tax revenue. The impact of the closure of Hynix, a major employer, will be a loss of about \$100,000 per quarter, but the health care industry is growing.

Mr. Kortge asked for an assessment on credit risk. Ms. James responded that public agencies are paying more in interest and it will get harder to produce the necessary project revenues to

cover the debt. Private/public partnerships may be discontinued. They may not be able to get credit insurance to establish an AAA rating. Since the market is tight, bonds are not selling.

Ms. Hellekson believed that the federal government is aware of the problem and is working to make it better. She agreed that the recession may be long but not as deep, and it could take longer for the credit market to rebound.

The committee asked for scenarios regarding the use of federal formula funds for operations. Mr. Viggiano, assistant general manager, stated that LTD should be cautious to not become dependent on using federal funds for operations. Assuming that the Transportation Equity Act (TEA) will be reauthorized, LTD should receive more formula funds. All Medicaid and rural service is being reported through the brokerage.

The committee believed a two-year U-shaped recession scenario was more realistic.

EMPLOYMENT TRENDS – Ms. James, chief accountant/internal auditor, stated that Lane County employment information for August 2008 was included in the agenda packet. She distributed copies of the November 2008 Lane County Labor Trends report, which reported September 2008 employment. The monthly publication is available online. The reports show that unemployment is going up.

NEXT MEETING – The full Board would participate in a work session on December 5. A Board Finance Committee meeting would be scheduled in January or February 2009.

ADJOURNMENT – There was no further discussion, and the meeting adjourned at 5:30 p.m.

(Recorded by Chris Thrasher, Lane Transit District)