MINUTES OF FINANCE COMMITTEE MEETING

LANE TRANSIT DISTRICT BOARD OF DIRECTORS

March 5, 2012

Pursuant to notice given to *The Register-Guard* for publication on March 2, 2012, 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 March 5, 2012, 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 4:02 p.m.

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

MINUTES – Minutes from the following meetings were approved by unanimous vote:

- March 21, 2011, LTD Board Finance Committee
- April 26, 2011, LTD Board Joint Finance and Human Resources Committee
- May 6, 2011, LTD Board Finance Committee
- January 24, 2012, LTD Board Joint Finance and Human Resources Committee

FARE INCREASE ANALYSIS – Mr. Vobora, director of service planning, accessibility, and marketing, asked the committee to consider a cash fare increase for 2012. Staff proposed an increase in the adult cash fare from $1.50 to $1.75 and an increase in the reduced cash fare from $.75 to $.85. With that increase, adult day passes and RideSource prices would increase from $3.00 to $3.50. The last cash fare increase occurred in 2008 when adult prices increased from $1.25 to $1.50.

Staff also proposed a 5.8 percent increase in the group pass pricing that would become effective January 1, 2013. Group pass pricing changes are traditionally made annually; however, the Board has, in response to the economic downturn, chosen not to increase prices during the past three years.

Mr. Vobora presented a PowerPoint presentation on fare evaluation. When considering a fare increase, the Board must consider the following:

- Effects of the change on Title VI populations
- Inflation rate
- Ridership and revenue trends
- Local economic trends
- Trends in automobile-related costs, such as gas
- Service changes
- Economic impact on customers

- Market conditions and opportunities
- District's financial situation
- District's goals and objectives

Title VI analysis, which looks at the effects of a fare change on minority and low-income riders, has been completed following a review of the 2011 Origin and Destination Rider Survey. Survey results included the following:

- Fare type usage was consistent between minority and Caucasian groups.
- Fare choice by household income was consistent.
- Frequent riders use passes.
- Impact to riders paying cash fare would be less because this group does not ride as often.

Mr. Vobora noted that approximately 60 percent of riders have a household income under $25,000.

Inflation. Over the past 12 months, prices for food at home rose 6.5 percent, energy prices jumped 16.9 percent (strongly influenced by a 24.9 percent increase in gasoline prices), electricity prices advanced 8.1 percent, and natural gas service prices decreased 1.2 percent.

Ridership and Revenue. Ridership is increasing at just over 2 percent for the fiscal year. Tax receipts are increasing and farebox revenue is up although overall fare revenue is down due to the loss of the Student Transit Pass funding. Staff estimates that an increase in cash fare would result in increased fare revenue of $200,000 to $300,000, and an increase in the group pass rate would result in $160,000 in additional group pass revenue.

Local Economic Trends. Employment and the UO Index of Economic Indicators show improvement. Construction remains strong with the completion of the Interstate 5 bridge and projects at the UO, LCC, and downtown Eugene. LCC and UO enrollment is increasing.

Automobile-Related Costs. Automobile Association of America (AAA) 2010 data shows that it costs $8,588 (excluding loan payments) to drive your car each year, and the composite national average cost per mile is 58.5 cents. Mr. Vobora noted that LTD paid $3.32 per gallon for fuel on February 9, 2012, and $3.68 per gallon in early March 2012. Ms. Hellekson stated that LTD has approximately 300,000 gallons of fuel stored off site, which was purchased at $3 per gallon.

Service Changes. Staff made service running-time adjustments in February 2012, which resulted in a 5 percent improvement in trips being less than two minutes late. Minor routing and timepoint adjustments (0.12 percent) are scheduled for September 2012.

Economic Impact on Customers. Approximately 25-29 percent of riders will experience an increased cost to access service. Elasticity research would suggest ridership may drop, within this rider group, by approximately 6 percent. While not a requirement, providing an alternative fare choice (e.g., tokens, weekly pass) would offset some of the impact of a fare increase.

Market Conditions and Opportunities. Peak-hour buses continue to carry heavy passenger loads. Increasing enrollment at LCC and UO continues to place pressure on routes serving these locations. Downtown Eugene student housing, if built, will create a demand for additional trips to the UO. Gateway EmX ridership is growing and businesses are leveraging proximity to the service. SmartTrips and other outreach efforts continue to provide targeted efforts to educate residents and recruit new riders. "School choice" may provide new opportunities to transport students.

LTD's Financial Position. As the committee is aware, the budget is balanced and revenues are growing; however, uncertainties—labor contract, pension costs, and fuel—still remain.

Goals and Objectives. Mr. Vobora believed that the following two goals and objectives from the strategic plan justified raising the service fare and preserving the current service package:

- Deliver reliable public transportation service.
- Maintain LTD's fiscal integrity.

Mr. Vobora stated that business community members would like to see a fare increase versus an increase to the payroll tax, which accounts for 65 percent or better of the operating revenue.

Discussion and Direction. The committee recommended presenting the information to the full Board, which would include two public hearings. If approved, the effective date would be July 1, 2012.

CHARTER SERVICE PRICING – LTD's Charter Service Policy states that "charter service pricing will be based upon the sum of all direct and indirect operating costs, measured at a rate per schedule hour of service (rounded up to the nearest whole dollar) as outlined in the District's Fully Allocated Cost Plan." Mr. Vobora stated that the current rate for charter service, as stated in the Fully Allocated Cost Plan, is $142 per hour. When accounting for the depreciation of capital assets at their full value, this methodology overstates the cost due to the fact that the District funds the purchase of capital assets through grants and anticipates using grants to replace these assets in the future. When calculating the fully allocated cost using a 20 percent depreciation cost structure, the rate was $127 per hour. UO football service at 3,000 hours would result in approximately $50,000 less in revenue.

If the Board accepted this new methodology, staff would recommend freezing the current rate at $142 until the rate using the new methodology catches up to it.

The committee approved taking staff's recommendation to the full Board for review and maintaining the current rate.

PENSION PLAN – Ms. Hellekson, director of finance and information technology, referred the committee to a report included in the agenda packet that was prepared by Milliman, the actuarial firm that services both LTD pension plans. The report, dated February 29, 2012, provided an analysis regarding the effect of changing the current 7.5 percent rate of return assumption for the Lane Transit District ATU and Salaried Employees pension plans.

Mr. Dubick found the information very informative. He preferred maintaining service over fully funding the pension plans.

Ms. Hellekson stated that even at 7.5 percent, an additional $300,000 would be added to each pension plan for the next budget year.

Mr. Kortge stated that he would prefer the plans be funded at 75 percent rather than 50 percent. He felt comfortable with the asset allocation.

Ms. Adams, director of human resources and risk management, pointed out that the report shows how sensitive the funding level is to the assumed rate of return. If the assumed rate of return were moved to 7 percent, the funding rate for the ATU plan would go down 2.5 percent, which would then require a greater amount of District contribution to the plan.

Ms. Hellekson recommended sharing this information with the plan trustees.

Mr. Necker did not want a change to affect service.

Mr. Dubick stated that the report shows that LTD is in the middle of the mainstream.

ADJOURNMENT – There was no further discussion, and the meeting adjourned at 5:10 p.m.

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

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