

MINUTES OF FINANCE COMMITTEE MEETING
LANE TRANSIT DISTRICT BOARD OF DIRECTORS

February 4, 2015

Pursuant to notice given to *The Register-Guard* for publication on February 1, 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 February 4, 2015, at Lane Transit District, 3500 East 17th Avenue, Eugene.

PRESENT – Ed Necker, Carl Yeh, Gary Wildish

CALL TO ORDER – Mr. Necker, chair of the committee, called the meeting to order at 5:00 p.m.

ROLL CALL – Committee members Ed Necker and Carl Yeh were present. Former member Michael Dubick, whose term as Board member had expired, was replaced by Mr. Wildish, who, as new Board President, appointed himself as part of the committee until a new Board member was appointed by the Governor. The following LTD staff also were present: Todd Lipkin, Tom Schamber, Ron Kilcoyne, Andy Vobora, Roland Hoskins, and Chris Thrasher. Dwight Purdy of Thorp, Purdy, Jewett, Urness, & Wilkinson, P.C, was also present.

MINUTES – Minutes from the April 11, 2013, meeting of the Board Finance Committee were approved by unanimous vote.

EXECUTIVE SESSION PURSUANT TO ORS 192.660(2)(f) - It was moved by Mr. Yeh and seconded by Mr. Wildish that the Committee meet in Executive Session pursuant to ORS 192.660(2)(f) to consider information or records that are exempt by law from public inspection.

The motion was approved as follows:

AYES: Wildish, Necker, Yeh
NAYS: None

The Board entered Executive Session at 5:05 p.m.

Attorney Dwight Purdy was present for the executive session.

RETURN TO REGULAR SESSION - The Committee returned to regular session at 5:18 p.m.

PENSION FUNDING POLICY – Mr. Lipkin, finance manager/CFO, distributed copies of a booklet entitled, "The New Pension Accounting." Members could contact Mr. Lipkin at a later date if they had any questions.

The agenda packet included copies of the two pension funding policies—LTD ATU Local 757 Pension Funding Policy and LTD Salaried Employees' Retirement Plan Funding Policy—as well as pension funding policy assumptions. Mr. Lipkin stated that the Governmental Accounting Standards Board (GASB) has issued Statements No. 67 and 68 that will require significant changes in the type and form of information collected and reported by pension plans and

governmental employers. These statements remove the direct link between measurements for funding purposes and measurements of pension expense for accounting and financial reporting purposes. LTD will now report the pension liabilities in the "Comprehensive Annual Financial Report." The measurement requirements for the new statements for financial reporting purposes will require actuarial valuations that differ from, and therefore will need to be in addition to, the actuarial valuation that is used for funding purposes. These calculations require the actuary to determine a critical measurement involving the projection of future employer contributions based on history and expressed future funding intent.

In response to a question from Mr. Necker, Mr. Lipkin stated that the audit would happen after the fiscal year end. He added that staff has asked the actuary for calculations going back a couple of years but did not expect new valuations. Staff would continue to do comparative financial statements.

Mr. Lipkin stated that the pension funding policies would be presented to the Board in February.

In response to a question from Mr. Wildish, Mr. Lipkin stated that we currently understand our funding liability. Both plans have funding strategies for full funding by 2029. Changes would be made to the policies by the February Board meeting to update the funding percentage to 62.1 percent instead of 54 percent, increase the ATU plan multiplier from \$64.00 to \$65.50, and change the amortization period to 10 years.

FARES – Mr. Vobora, director of customer services and planning, gave the committee a brief history on fare changes and considerations for fare changes. He noted that although many transit agencies do not have a fare policy, LTD's policy was established in the early 1980s. The policy had three main components: (1) small incremental increases, (2) increase in only one part of the fare structure each year, and (3) changes would be rotated among the fare structures. This year's rotation falls on ticket prices. Mr. Vobora noted that the Group Pass Program has a different pricing evaluation, and generally those prices increase every year.

In light of the 2014 fare changes, stagnant ridership, and continued growth in fare revenue, the recommendation by staff for FY 2015-16 is to maintain current fare prices, including Group Pass fares.

In response to a question from Mr. Wildish, Mr. Vobora stated that there is not a policy that fares will cover a certain percentage of costs. Mr. Lipkin added that such a policy would be difficult to manage.

In response to a question from Mr. Yeh, Mr. Vobora did not believe that there was a formula that would show an increase in ridership if fares were reduced. Mr. Kilcoyne, general manager, stated that you may have to cut service in order to maintain farebox recovery because you would lose riders. On the flip side, if you reduce fares, you may increase riders. If you increase it a lot, you may have to increase service. He added that most research shows that level of service has more impact on ridership than fares.

If the Legislature does not provide funding for youths as currently proposed, Mr. Vobora stated that the Board may want to consider charging seniors a small fare in order to offset a lower fare price for youth riders.

Mr. Necker added that one of the reasons senior fare was reduced to zero was to help keep seniors off RideSource.

Mr. Yeh asked if staff would consider selling an annual pass. Mr. Vobora stated that LTD sold annual passes 8 years ago; however, there were very few sales. Not many three-month passes, which are offered, are sold. Mr. Kilcoyne stated that an electronic fare system would benefit all. Mr. Yeh stated that the latest rage is subscription service.

The committee agreed with staff's recommendation to maintain current fare prices for FY 2015-16.

FARE POLICY - Mr. Vobora distributed copies of the Fare Policy with edits and reviewed the recommended changes with the committee. He stated that LTD's attorneys have reviewed the policy and suggested changes in response to the Federal Transit Administration's review of policies and language requirements in regards to Title VI. Prior to adoption of an updated Fare Policy, staff will solicit feedback on the policy with local agencies and riders.

CAPITAL IMPROVEMENTS PROGRAM (CIP) – Mr. Lipkin stated that the CIP document has changed over the last few years. This year, in an effort to better prioritize capital investment, each project under consideration is being scored and ranked. Projects are being categorized as either state of good repair (SGR) projects or Non-SGR projects. State of good repair projects include preventive maintenance, bus replacement, and cyclical replacement or upgrade of facilities, technology, and other systems. Non-SGR projects are those that represent new investments in service or new investment in systems or technology.

LONG-RANGE FINANCIAL PLAN (LRFP) – Mr. Lipkin stated that the agenda packet included the LRFP that was approved last year. The December 2014 financial reports would provide the basis for projecting revenue and costs for the new LRFP. Assumptions used in the current plan will be reviewed and considered for inclusion in the Plan update. Key assumptions included the following:

- Payroll tax rate increase effective January 1, 2017
- A large transfer to the Accessible Services Fund, although a large increase of funds from the Legislature is expected (\$500,000 increase over prior base)
- Payroll tax issue take back
- Fuel is well under proposed

NEXT MEETING – No meeting was schedule at this time. Mr. Wildish appreciated the information he received at this meeting and suggested it might be helpful if staff sat down with new Board members in a smaller setting to go over historical information.

ADJOURNMENT – There was no further discussion, and the meeting adjourned at 6:30 p.m.

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