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Public notice was given to *The Register-Guard* for publication on June 3, 2007.

**LANE TRANSIT DISTRICT  
BOARD OF DIRECTORS  
FINANCE COMMITTEE MEETING**

**June 5, 2007  
4:00 p.m. – 5:30 p.m.**

**LTD Conference Room A  
3500 East 17<sup>th</sup> Avenue, Eugene (in Glenwood)**

**AGENDA**

- I. CALL TO ORDER (Dean Kortge)
- II. ROLL CALL (Dean Kortge)  
Davis \_\_\_\_\_ Dubick \_\_\_\_\_ Kortge \_\_\_\_\_
- III. APPROVE MINUTES OF FEBRUARY 7, 2007, MEETING
- IV. STUDENT PASS DISCOUNT
- V. AUDIT INFORMATION
- VI. NEXT MEETING
- VII. ADJOURN

Alternative formats of printed material (Braille, cassette tapes, or large print) are available upon request. A sign language interpreter will be made available with 48 hours' notice. The facility used for this meeting is wheelchair accessible. For more information, please call 682-6100 (voice) or 1-800-735-2900 (TTY, for persons with hearing impairments).

MINUTES OF FINANCE COMMITTEE MEETING  
LANE TRANSIT DISTRICT BOARD OF DIRECTORS

February 7, 2007

Pursuant to notice given to *The Register-Guard* for publication on February 5, 2007, a meeting of the Lane Transit District Board of Directors Finance Committee was held at 4:00 p.m. on February 7, 2007, at Lane Transit District, 3500 East 17th Avenue, Eugene.

**PRESENT** - Mike Dubick, Dean Kortge

**ABSENT** - Debbie Davis

**CALL TO ORDER** – Mr. Kortge, chair of the committee, called the meeting to order at 4:02 p.m.

**ROLL CALL** – It was noted that Mr. Dubick and Mr. Kortge were present. The following LTD staff also attended: Diane Hellekson, Mark Pangborn, Carol James, Todd Lipkin, Stefano Viggiano, Mary Adams, Andy Vobora, and Chris Thrasher.

**MINUTES** – The minutes of the January 10, 2007, meeting were approved.

**LONG-RANGE FINANCIAL PLAN** – Ms. Hellekson distributed three versions of the Revised Long-Range Financial Plan:

- Personnel services growth at 5 percent, \$150,000 additional administrative personnel, and additional 1 percent service adjustment in Year 1
- Personnel services growth at 5.5 percent, \$150,000 additional administrative personnel, and additional 1 percent service adjustment in Year 1
- Personnel services growth at 6 percent, \$150,000 additional administrative personnel, and additional 1 percent service adjustment in Year 1

She also distributed copies of Key Assumptions: Base Version, which outlined assumptions for revenues, operating requirements, additional service, and transfers to capital.

In regards to revenues, Ms. Hellekson stated that assumptions were made that fares in FY 2007-08 would increase at 1 percent due to pass fare increases in July 2007 and with Student Transit Pass Program changes over current year. An adjustment to 4 percent would generate approximately \$150,000 more in revenues.

Overall payroll tax-related revenues were assumed to grow at 5 percent per year due to major construction projects in the area (RiverBend Hospital, I-5 bridges, Beltline/I-5 Interchange). In addition, the payroll tax rate would increase .02 percent on January 1, 2007 and 2008, and .01 percent on January 1, 2009, 2010, 2011, 2012, 2013, and 2014.

Mr. Viggiano told the Committee that the Student Transit Pass Program might be discontinued next year. If so, schools would be required to purchase passes through the traditional group pass program and apply for the Oregon Department of Energy's Business Energy Tax Credit (BETC)

directly. Ms. Hellekson stated that the Student Transit Pass Program, in its third year as a demonstration project, has been extremely popular.

Ms. Hellekson reported that New Starts/Small Starts funding of Pioneer Parkway EmX would be at 80 percent. Previous versions of the Capital Improvements Program and Long-Range Financial Plan assumed 60 percent federal funding. The new assumption eliminated the need to debt finance 20 percent of the local match.

In regards to operating requirements, estimates were based on the budget for the current year. Current personnel services through December 2006 were under budget, but did not include EmX service. Fuel through December 2006 averaged \$2.26/gallon. Personnel services expenses were projected to increase 5 percent per year with no additional personnel assumed. Materials and services (excluding fuel) expenses were projected to increase 2 percent per year. Fuel was projected to increase 3 percent annually.

Mr. Kortge asked about expenses for upkeep on the buildings. Ms. Hellekson stated that major remodels are included in the Capital Improvements Program.

Ms. Hellekson stated that transfers to the Accessible Services Fund were projected to increase 5 percent in FY 2007-08; 6 percent in FY 2008-09, FY 2009-10, and FY 2010-11; and 8 percent thereafter.

In response to a question from Mr. Kortge, Ms. Hellekson stated that LTD has requested additional cigarette tax money in the current legislation to help fund the Accessible Services program.

Ms. James noted that RideSource rides starting and ending within the free-ride EmX corridor are also free rides. Mr. Vobora estimated 100 trips per week at \$2.50 per ride.

In regards to additional service, Ms. Hellekson stated that the plans assume 2 percent annual growth in FY 2007-08 and 1 percent thereafter. Mr. Vobora stated that the 11 Thurston route has shown a 12-15 percent increase in ridership since the implementation of the Franklin EmX, and staff propose to increase the frequency to 10 minutes from 2:00 p.m. to 6:00 p.m. Also, an additional 4,750 service hours for RiverBend Hospital service are proposed starting in FY 2008-09 and an additional 4,750 service hours for Pioneer Parkway EmX Corridor service starting in FY 2009-10.

The plans also reinstate transfers from the General Fund to the Capital Projects Fund in FY 2007-08. Transfers in FY 2007-08 (Year 1) and FY 2008-09 (Year 2) are based on successful United Front discretionary requests.

The only difference in the three plans is the growth of personnel services.

Ms. James referred the Committee to a summary sheet of the Long-Range Financial Plan (LRFP), which was included in the handout materials. The summary sheet showed projections for ending working capital in the General Fund at an annual increase in personnel services at 5 percent, 5.5 percent, and 6 percent. For the 5.5 percent scenario, transfers to the Capital Fund would end in Year 7; for the 6 percent scenario, transfers would end in Year 5. Ms. Hellekson stated that LTD policy requires a maintenance of \$3 million in operating reserves, although the Board has discussed changing the policy to \$2 million.

Ms. James referred the Committee to the Capital Projects Summary, which also was included in the handout materials. The scenario showed a \$2.3 million balance at the end of Year 8 with Pioneer Parkway EmX funded at 80 percent/20 percent match. This scenario would not require borrowing money and was an improvement over the previous scenario approved by the Board.

Ms. James explained how the details of the LRFP and Capital Improvements Program (CIP) were structured.

Mr. Kortge and Mr. Dubick approved amendments to the CIP, which would be forwarded to the full Board for approval. They also recommended taking the 5.5 percent version of the LRFP to the full Board for approval, along with a summary page showing the 5 percent and 5.5 percent scenarios and the key assumptions handout.

**BUDGET DEVELOPMENT UPDATE** – Ms. Hellekson distributed copies of the budget development calendar. Procedures that require a lot of staff time included proposed reclassification of positions and proposed new positions. Ms. Hellekson pointed out that budgeting is a year-round activity.

An orientation meeting for the citizen members of the Budget Committee would be scheduled for early April. Budget Committee meetings would be held on April 25 and April 26.

**ADJOURNMENT** – There was no further discussion, and the meeting adjourned at 5:03 p.m.

(Recorded by Chris Thrasher, Lane Transit District)

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## AGENDA ITEM SUMMARY

**DATE OF MEETING:** June 5, 2007

**ITEM TITLE:** STUDENT PASS PRICING

**PREPARED BY:** Andy Vobora, Director of Service Planning, Accessibility, and Marketing

**ACTION REQUESTED:** Provide staff direction regarding the establishment of a student pass rate.

**BACKGROUND:** Student pass prices are currently one-half the adult rate and apply to youth ages 6 years through 18 years of age. The July 1, 2007, rate increase will set the price at \$19.00 for monthly passes and \$51.50 for three-month passes. The student transit pass program, funded through Department of Energy (DOE) funds, comes to an end June 30, 2007. There is a possibility that the DOE will come up with continued funding for a transitional period; however, a meeting to discuss this more fully has yet to occur. LTD's understanding has been that research and development funds were being used and that the District is ineligible for funding through the DOE transit pass program because transit districts are explicitly excluded from participation. Under the DOE's current rules, school districts could have chosen to be the applicant and purchase the program for their students. Due to budget considerations, the large school districts choose not to pursue the program; however, several private schools have contracted to purchase passes for their students for the coming school year.

If the student transit pass program ends, then LTD has a number of choices related to LTD youth pass pricing:

1. Students would return to purchasing monthly and three-month passes at current rates. Rates beginning July 1, 2007, will be \$19.00 for monthly passes and \$51.50 for three-month passes. This option allows the District and the community to better understand how providing free passes does or does not change riding habits. Because LTD was compensated for all students as part of this program, it is estimated that this option will result in a reduction of fare revenue of approximately \$150,000 for the coming fiscal year.
2. Provide students free ridership on LTD buses. This option would result in a reduction of fare revenue of approximately \$600,000.

3. Provide a deeper pass price discount to students. A pass price of \$9.75 per month and \$25.75 for three months would result in a reduction in fare revenue of approximately \$201,000 annually. Student cash fares would remain at the current half-fare rate of 60 cents. This option could be implemented on a transitional or permanent basis.
4. Choose a different rate that would either be transitional or permanent.

Each of these options assumes LTD carries the burden in terms of lost fare revenues. It is possible that partnerships could be formed to offset some of these costs. However, it seems unlikely the District would be able to find funding assistance for the coming fiscal year due to the fact that LTD's partner organizations have or are completing their budget processes and these funds have not been part of their discussions.

**RESULTS OF RECOMMENDED ACTION:**

Return to the full Board with a recommendation on how to proceed pending final discussions with the Department of Energy.

**ATTACHMENT:**

None

**PROPOSED MOTION:**

None

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Lane Transit District  
Board Finance Committee  
June 5, 2007

Auditor Communications

***SAS 114 The Auditor's Communication with Those Charged with Governance***

This document broadens the scope of communication to those charged with governance in relation to the audit of the financial statements. The statement applies to an entity's governance regardless of the structure or size.

**Matters to Be Communicated**

1. The auditor's responsibility under generally accepted auditing standards
2. An overview of the planned scope and timing of the audit
3. Significant findings from the audit

**The Auditor's Responsibility Under Generally Accepted Auditing Standards**

1. The auditor is responsible for forming and expressing an opinion about whether the financial statements, which have been prepared by management with the oversight of those charged with governance, are presented fairly, in all material respects, and in conformity with generally accepted accounting principles.
2. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

**Planned Scope and Timing of the Audit**

Communication regarding the planned scope and timing should include the following:

1. Assist those charged with governance in understanding better the consequences of the auditor's work for their oversight activities, discussing with the auditor issues of risk and materiality, and identifying any areas in which they may request the auditor to undertake additional procedures.
2. Assist the auditor to understand better the entity and its environment.

## **Significant Findings from the Audit**

The auditor should communicate the following matters with those charged with governance:

1. The auditor's views about qualitative aspects of the entity's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures
2. Significant difficulties, if any, encountered during the audit
3. Uncorrected misstatements, other than those the auditor believes are trivial, if any
4. Disagreements with management, if any
5. Other findings or issues, if any

## **The Communication Process**

1. Establishing a mutual understanding – The auditor should communicate with those charged with governance the form, timing, and expected general content of communications to establish the basis for effective two-way communication.
2. Forms of communication – The auditor should communicate in writing significant finding from the audit when, in the auditor's professional judgment, oral communication would not be adequate.
3. Timing of communications – The auditor should communicate with those charged with governance on a sufficiently timely basis to enable those charged with governance to take appropriate action. There are a variety of factors to consider when determining the timing of communication such as the size of the entity, legal obligations regarding timeframes, expectations of those charged with governance, the timing of when certain matters are identified, etc.
4. Adequacy of the communication process – The auditor should determine whether the two-way communication between the auditor and those charged with governance has been adequate for the purpose of the audit.