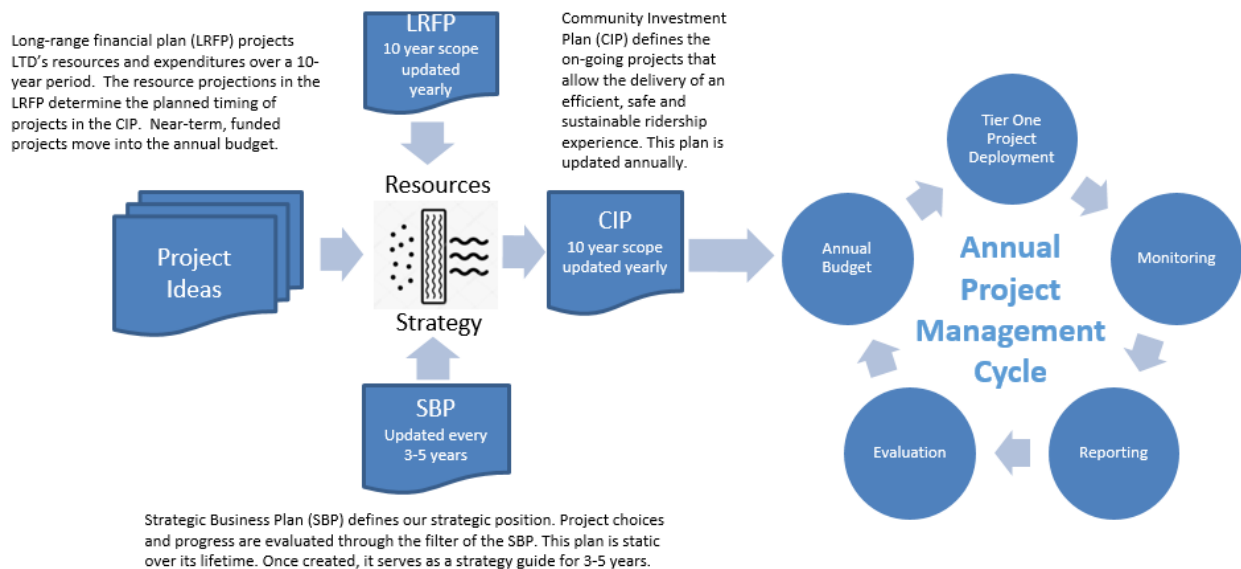


# LANE TRANSIT DISTRICT FINANCIAL PLANNING POLICY

## PURPOSE

The Financial Health goal for the Lane Transit District (“District”) Board of Directors (“Board”) is to maintain the District’s financial condition while providing a consistent level of service. Achieving this goal requires careful financial planning.

There are four key documents that provide the basis for our financial planning. Those documents are the annual budget (Budget), the community investment plan (CIP), the long-range financial plan (LRFP) and the strategic business plan (SBP). The SBP, CIP and Budget represent the community’s priorities and are developed with community input. The LRFP projects the District’s resources which impacts the timing of projects in the CIP and the annual budget constraints. Below is a visual of how the documents are inter-related.



The purpose of this policy is to provide guidelines for strategic financial planning and management of the District’s resources to create the best value for the community by promoting a long-term perspective.

## BACKGROUND

The District has not historically had a formal Financial Planning Policy; however, it has annually updated a Budget, CIP and LRFP following a consistent process for development. The SBP was developed in FY2022 and will be updated every three years. The SBP is used for Financial Planning by outlining the District’s mission, vision and values, but it is not a Financial Planning document and is outside the scope of this policy. This policy formalizes the process and guidelines currently being used to develop the Budget and the LRFP. The CIP has a separate policy which formalizes its development.

## **POLICY**

### **Budgeting**

#### *Purpose:*

In accordance with ORS 294.408, the Board of Directors must adopt a budget for each fund by the close of the current fiscal year. For LTD, the fiscal year ends every June 30.

There are 3 requirements before the LTD Board can adopt the budget: 1) Posting for public comment (ORS 294.401), 2) Approval by the Budget Committee as presented or amended (ORS 294.424), and 3) Holding a public hearing on the Budget Committee approved budget (ORS 294.453).

The purpose of this policy is to provide the framework and process for developing a budget and meeting Oregon budget law.

#### ***Balanced Budget***

The District shall adopt a balanced budget, and authorize the required appropriations prior to the beginning of each fiscal year. Appropriations will be made on a fund level basis. As part of the balanced budget requirement, the District will not propose expenditures in excess of estimated opening balances and anticipated income. This applies to all funds.

#### ***Structurally Balanced Budget***

In addition to maintaining a balanced budget, the District will also keep the importance of long-term structural balance at the forefront. This means that, while the District can use non-annual revenues (fund balances and Federal formula grants) to balance the budget, these resources cannot be used as a long-term approach to balance the budget. Planned use of non-annual revenues to cover annual operating expenses should be limited. It is only appropriate to use non-annual revenues when the use is temporary and not structural as demonstrated through the LRFP.

It is appropriate to use fund balances when the District's budgets have met the maximum reserve requirements due to higher than anticipated recurring (non-one-time) revenues or unspent appropriation from the previous fiscal year. In this circumstance, the use of fund balances should be used for one-time or project expenditures or reserves, not ongoing operating costs.

#### ***Continuous Improvement:***

The Budget process will include a District-wide, ever-green process for reviewing opportunities to: 1) improve processes, 2) reduce costs, 3) make the District more effective and efficient and 4) increase our value-add to the community.

#### ***Conservative Fiscal Budgeting:***

The District's budget and budget assumptions are fiscally conservative and designed to ensure revenues are not overestimated, expenditures are not underestimated and reserves are maintained for unexpected occurrences. By estimating the revenues and expenditures conservatively, it is more likely to result in the revenues and expenditures coming in close to budget or favorable relative to budget. In practice, this follows the following principles:

- **Annual revenues estimated low:** Conservative annual revenue assumptions which are estimated on the low side with potential for upside
- **Non-annual resources estimated most likely:** Non-annual resources are estimated based on what is realistically available to achieve a balanced budget
- **Expenditures estimated slightly high:** Expenditures are based on highly likely expenditures with a separate contingency for possible additional expenditures
- **Reserves by policy:** Rainy day reserves will be maintained and are a priority

### *Process Overview*

#### **Adopting the Budget**

The District's process follows Oregon Budget Law (ORS 294.321) which is designed to encourage citizen involvement in the expenditure of public funds. The District achieves this by:

- 1) Vetting and obtaining approval of the proposed Budget through a Budget Committee,
- 2) Holding one or more public hearings,
- 3) Accepting written public comments,
- 4) Obtaining Board adoption of the annual budget prior to the beginning of the new fiscal year

#### **Budget Committee:**

The Budget Committee is comprised of all seven Board members and an equal number of appointed citizen members. Each spring, the Budget Committee receives a presentation on the proposed Budget. This committee is responsible for reviewing, discussing and recommending any necessary revisions to the proposed Budget. This committee is also responsible for forwarding the proposed Budget to the District's Board with a recommendation to approve as presented or with proposed amendments.

#### **Board:**

In addition to participating on the Budget Committee, the District's Board holds a public hearing on the proposed Budget prior to adoption. Adoption of the Budget by the Board appropriates or authorizes LTD to spend the funds appropriated during the specific 12-month period that begins July 1 and ends June 30 every year.

### **Budget Appropriation:**

The operating budgets are appropriated by fund with the below level of granularity:

- Transit Services
- Operating Contingency
- Transfers out

The Capital projects fund is appropriated with the below level of granularity:

- Transit investments

The reserve funds are not appropriated which means that they are not authorized to be spent without a Board resolution. The not appropriated reserve funds have the below level of granularity:

- Reserve type
- Working capital

### **Amending the Budget:**

The annually adopted budget is based on LTD's good faith estimate of expected resources and expenditures for the year. Because the budget is based on estimates, Oregon budget law allows for changes after the budget is adopted. There are two ways that the District utilizes to adjust our budget after adoption:

- Appropriation transfer (ORS 294.463): Moving appropriations between existing categories within a fund (e.g. operating contingency to transit services) or to transfer appropriations between funds (e.g. from the general fund to the specialized services fund)
- Supplemental budget (ORS 294.471 & 294.473)

#### **Appropriation transfer:**

An appropriation transfer may be made between existing categories within a fund (e.g. from operating contingency to transit services) or between funds (e.g. from the Specialized Services Fund to the General Fund)

An appropriation transfer is limited to less than 15% of total fund appropriations for the fiscal period and is adopted by the Board with a resolution that states:

- The need for the transfer
- The purpose of the expenditure
- The amount transferred

**Supplemental Budget:**

A supplemental budget modifies the currently adopted budget by: 1) increasing appropriations, 2) creating a new appropriation category, or 3) creating a new fund

Supplemental budgets follow 2 different processes based on the amount of the change.

Changes in transit services or transit investments  $\leq 10\%$  require public newspaper notification at least 5 days prior to adoption and can be adopted by the Board with a resolution that states:

- The need for the increase
- The purpose of the increase
- The amount of the requested appropriation

Changes in transit services or transit investments  $> 10\%$  requires a public hearing and public newspaper notification at least 5 days prior to adoption and can be adopted by the Board with a resolution that states:

- The need for the increase
- The purpose of the increase
- The amount of the requested appropriation

***Reserve Requirements:***

See Reserve Policy

***Community Investment Planning:***

See Community Investment Plan Policy

## **Long-range Financial Plan (LRFP):**

### *Purpose:*

To ensure financial sustainability and flexibility in meeting the service demands needed to connect our community. Financial sustainability means a continued ability to fund the approved programs, priorities and service levels and infrastructure needs over the long-term. Flexibility means the ability to adapt to the internal and external uncertainties and priorities without the need to rely on debt to fund service or infrastructure needs. The LRFP provides a framework for balancing the current financial needs of our daily operations with an eye towards the long-term financial health of the organization. The LRFP framework includes the following:

### ***General Fund focus:***

The general fund is where the District's day-to-day operations are budgeted and is the focus of the LRFP

### ***Uses a Budgetary Basis:***

The LRFP is a decision-making, planning and budgeting tool. The focus for the LRFP is therefore on a budgetary basis which excludes non-cash expenses like depreciation.

### ***Structural Balance***

A critical part of the LRFP is achieving and maintaining long-term structural balance. Structural Balance means that our annual incoming revenues (excluding Federal grants for operating) cover our annual operating expenses inclusive of an allocation for capital grant matches.

### ***Reserve Requirements:***

The LRFP forecasts adequate reserves to eliminate, or at least minimize disruptions to our transit services as a result of both foreseeable and unforeseeable events in alignment with our Reserve Policy”

### ***General Fund Transfers:***

The LRFP includes general fund transfers sufficient to achieve the 10-year CIP, the Reserve Policy and projected needs for all other operating funds.

### *Process Overview*

Each year as part of the annual budget process, staff prepares a ten-year financial plan for the General Fund. This financial plan forecasts the financial resources and expenditures required to continue to support the planned future operations of the District.

The plan is a collaborative approach developed using internal and external resources including, but not limited to the following:

- Economic forecast information from the Oregon State Office of Economic Forecasting
- Grant funding availability and strategic usage in collaboration with the Grant Manager
- Service, network design, ridership and fare assumptions from the District's planning department
- Key cost driver forecasts from multiple District departments (e.g. medical cost increases from HR, fuel costs from fleet and business services, technology changes from IT, etc.)
- General Fund transfer requirements utilizing the CIP and Project managers for each operating fund

The LRFP is strictly a plan and does not have any spending authority.

### **IMPLEMENTATION AND REVIEW**

Upon adoption of this policy, the Board authorizes the Director of Finance to establish any standards and procedures which may be necessary for its implementation. The Director of Finance shall review this policy routinely and make any recommendations for changes prior to adoption by the Board of Directors.

### **MAINTENANCE**

The Board of Directors is responsible for adopting updates to this policy, with staff assistance from the Director of Finance.

Administrative Policies & Procedures

Adopted by LTD Board of Directors: \_\_\_\_\_