
Long Range Financial Plan

FY 2025-2034



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INTRODUCTION

The Long Range Financial Plan (LRFP) is one of three key documents, developed with community input, which provides information Lane Transit District (LTD) needs to develop a proposed budget and the timing of community investment projects. The LRFP projects the anticipated resources and expenditures over a 10-year period and at its core aligns financial capacity with the objectives outlined in LTD's Strategic Business Plan. The LRFP was last adopted by the Board at the May 18, 2022 Regular Board Meeting.

LTD's fiscal environment is always changing. The traditional model of budgeting for cost leads to a short-term spending profile which focuses on sustaining existing programs and services; this model is not intended to provide information on long-term sustainability to support those services. As such, it is important to consider what levels of service and expense are maintainable over time. The resource projections in the LRFP are a key factor in determining both the design and level of services as well as the planned timing of projects in the Community Investment Plan (CIP).

In order for LTD to provide quality service, reliable vehicles, solid infrastructure and collaborative programs to serve the community's diverse mobility, ongoing financial resources are required. Payroll taxes are the most significant ongoing funding resource (representing approximately 80% of general fund). LTD's payroll tax projections are based on the projections from the Oregon State Office of Economic Forecasting using two variables: 1) Oregon average wages and 2) total nonfarm employment. Projections are intentionally conservative to ensure LTD does not over-estimate the resource.

Federal grants and funding from the employee tax-based State Transportation Improvement Fund (STIF) are also an important part of LTD's resources. Due to the continuing high costs from recent inflationary and post-pandemic factors, the 2025-2034 LRFP increases the annual Federal funding for operations from \$2.2M to \$4.2M for Fiscal Year 26 and 27. Thereafter, it remains at \$5M. Any gap for FY25 will be filled with remaining COVID-era funds. The STIF Plan biennium budget amends to increase funding for Americans with Disabilities Act (ADA) operations which will decrease the amount of general fund needed to support these services.

In the short-term, LTD's costs are increasing at a rate higher than inflation. Market wage rate adjustments and continuing medical insurance increases are some of the biggest challenges long-term. LTD is performing an internal cost analysis to reduce the rate of increase seen in the FY25 budget, and have projected future increases to be sustainable at rates that are closer to the current inflation rate.

Oregon unemployment is up slightly at 4.2 percent from its low of 3.9 percent in June 2022. Interest rates remain elevated from historic lows and government stimulus assistance has come to an end. Current economic analysts indicate that the recession "soft landing" is still possible, but is dependent on the softening global economy.

LTD continues to be adversely affected by long term impacts of COVID-19 as a result of changes in rider behaviors, including: commuting patterns, remote working or education, and social gatherings. LTD is also adversely impacted by COVID-19 induced inflation and worker shortages which have increased the cost to provide the services to meet the needs of the community.

The economic forecasts are never certain; LTD continually monitors and proactively plans for the risk factors of the economy and adjusts accordingly with the goals of:

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- > providing a consistent level of service commensurate with available resources to best meet the needs of the community;
 - > balancing fiduciary duty;
 - > maintaining assets in a state of good repair; and
 - > making long term investments which ensure successful completion of LTD's Mission of Connecting our Community in a consistent, reliable, and safe way.

This includes maintaining strong reserves which enable us to moderate the financial impacts resulting from unexpected volatility.

FACTORS IMPACTING BUDGET

Key Factor 1: Inflation

Inflation is a concern as the year over year change in Consumer Price Index (CPI) reached a 40 year high at 9.1 percent in June 2022. It has since moderated to 3.5 percent as of March 2024, but prices for key items remain high. For FY24-25, a steady decline is expected to continue and inflation is expected to normalize within the year to the federal reserve target of 2 to 2.5 percent.

Key Factor 2: Contractual ATU Wage and Benefit Increases

A four year Amalgamated Transit Union (ATU) agreement was ratified in February 2023, increasing wages 22 percent over the next four years. Other contract additions include a \$450 bonus for EmX operators and adding Juneteenth and Martin Luther King Jr. Day holidays. A new agreement was reached with the IT bargaining group in March 2024 and negotiations with the Public Safety Officers are underway. Increases in personnel costs from these agreements were included in the LRFP.

Key Factor 3: Investment to Replace Our Aging Fleet

Reduction in federal investment in transit bus replacement and the decision to use capital funds to support operations during the recession of 2008, resulted in an aging bus fleet. By the conclusion of FY22, approximately 30 percent of the District's fleet met or exceeded their useful life. During FY23, LTD received 16 new electric buses, however they have not provided the same reliability as diesel buses and LTD will be ordering 10 replacement, diesel fueled buses in FY25. The District will be using both federal formula and state grant programs for its fleet replacement.

Key Factor 4: STIF Funded Projects and Associated Resources

Oregon House Bill 2017 established a 0.1 percent employee payroll tax to create a Statewide Transportation Improvement Fund for public transportation in Oregon which benefits a high percentage of students and low income households. Ninety percent of STIF funds are formula funds, which are funds awarded on a noncompetitive basis according to a pre-determined formula. Oregon Department of Transportation (ODOT) estimates that Lane County will receive approximately \$34.6 million in formula funds over FY24 and FY25 (July 1, 2023 through June 30, 2025). Of those funds, \$31.8 million will be generated outside the District. LTD is responsible for managing the allocation of these formula funds through an Advisory Committee. A full list of projects submitted in the FY023-2025 plan can be found on LTD's website.

Nine percent of STIF funds are discretionary funds which are awarded based on a competitive grant process. The remaining one percent of STIF funds are allocated for administrative costs.

The District was recently notified that ODOT was proposing a one time, mid biennium amendment process to allow Transit Agencies to utilize the available funding. LTD put forth an amendment which would increase funding allocations for ADA services, fleet replacement, and support for service increases. The amendment approval is set for early August 2024. These allocation adjustments have been factored into the resources of the LRFP.

Key Factor 5: CARES, CRRSA, and ARPA Act Revenues

The Coronavirus Aid, Relief, and Economic Security (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), and American Rescue Plan Act (ARPA) acts provide federal assistance for COVID-19 related expenses and lost revenues. By the end of FY27, the District will have used or programmed for use all of the \$25.5 million CARES, \$17.9 million CRRSA, and \$32.7 million ARPA funding. The District will be using these funds to replace lost revenues, cover COVID-19 operating expenses, and make capital investments to improve the safety of riders and continuity of service.

Key Factor 6: Implementation of the Board-Adopted Reserve Policy

Reserves help to ensure LTD can provide service in a consistent, reliable, and safe way. In February 2022, the Board adopted a revamped reserve policy requiring four types of reserves:

- > a sustainable service reserve for the purpose of maintaining consistent, reliable services;
- > a cash flow reserve to ensure adequate cash on hand to cover temporary cash flow shortages;
- > a capital reserve to provide adequate dollars to carry out the Board-adopted CIP; and
- > Board designated reserves for potential financial risks or volatility.

Key Factor 7: Long Range Financial Plan

Working capital and utilization of federal aid provided by pandemic relief funds have provided short term relief with respect to the operating budget. However, service trends, inflationary growth, ATU contract commitments, and Administration reorganization have changed some of the key assumptions used to formulate the LRFP.

Fixed route fare revenues were anticipated to recover over the next five years, but recent national trends are not supporting this. Personnel costs for the FY25 budget increased 9 percent. Due to inflation, increasing tech software, hardware, and support costs, the FY25 budgeted materials and supplies costs increased 18 percent over FY24 budget. It is expected these increases will flatten as inflation slows.

The LRFP is adjusted each year to account for actual results from the preceding year and a review of assumptions for the future is performed. Management will be working with the Board Finance Committee to establish future LRFP assumptions.

RESOURCES

RESOURCES	FY2022-23 Actual	FY2023-24 Budget	FY2024-25 Budget	FY2025-26 Forecast	FY2026-27 Forecast	FY2027-28 Forecast	FY2028-29 Forecast	FY2029-30 Forecast	FY2030-31 Forecast	FY2031-32 Forecast	FY2032-33 Forecast	FY2033-34 Forecast
OPERATING REVENUES												
Cash Fares & Passes	2,792,277	2,408,400	2,839,500	3,012,100	3,185,700	3,185,700	3,185,700	3,185,700	3,185,700	3,185,700	3,185,700	3,185,700
Group Passes	1,889,271	1,921,900	2,137,000	2,219,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
Advertising	-	-	50,000	75,000	100,000	115,000	130,000	150,000	150,000	150,000	150,000	150,000
Special Services	31,300	27,400	127,400	127,400	127,400	127,400	127,400	127,400	127,400	127,400	127,400	127,400
TOTAL OPERATING REVENUE	\$4,712,848	\$4,357,700	\$5,153,900	\$5,433,500	\$5,713,100	\$5,728,100	\$5,743,100	\$5,763,100	\$5,763,100	\$5,763,100	\$5,763,100	\$5,763,100
NON-OPERATING REVENUES												
Payroll Taxes	49,019,822	50,841,071	53,873,247	56,566,909	59,395,255	61,771,065	64,241,908	66,811,584	69,484,047	72,263,409	75,153,946	78,160,103
Self-Employment Taxes	2,434,645	2,142,737	2,685,256	2,765,814	2,848,788	2,934,252	3,022,279	3,112,948	3,206,336	3,302,526	3,401,602	3,503,650
State-In-Lieu	521,887	789,450	841,922	879,853	918,625	958,586	999,403	1,041,878	1,085,304	1,129,856	1,177,020	1,234,804
Federal Assistance	18,496,627	13,300,000	9,650,000	7,975,000	7,975,000	5,050,000	5,050,000	5,050,000	5,050,000	5,050,000	5,050,000	5,050,000
State Assistance	1,168,824	1,110,000	3,350,000	4,400,000	4,400,000	4,550,000	4,550,000	4,800,000	4,800,000	4,950,000	4,950,000	4,950,000
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	388,294	400,000	320,000	334,400	349,200	364,300	379,900	396,000	412,500	429,400	447,400	466,000
Interest	1,573,637	729,644	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Transfer from Sustainable Services Reserve	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL NON-OPERATING REVENUE	73,603,736	69,312,902	71,920,425	74,121,976	77,086,868	76,828,203	79,443,490	82,412,410	85,238,187	88,325,191	91,379,967	94,564,557
TOTAL REVENUES	78,316,584	73,670,602	77,074,325	79,555,476	82,799,968	82,556,303	85,186,590	88,175,510	91,001,287	94,088,291	97,143,067	100,327,657

REQUIREMENTS

REQUIREMENTS	FY2022-23 Actual	FY2023-24 Budget	FY2024-25 Budget	FY2025-26 Forecast	FY2026-27 Forecast	FY2027-28 Forecast	FY2028-29 Forecast	FY2029-30 Forecast	FY2030-31 Forecast	FY2031-32 Forecast	FY2032-33 Forecast	FY2033-34 Forecast
OPERATING REQUIREMENTS												
Personnel Services	42,771,943	47,693,055	51,987,902	54,587,297	57,316,662	59,609,328	61,993,702	64,473,450	67,052,388	69,734,483	72,523,862	75,424,817
Materials & Services	12,305,700	14,165,587	16,778,662	17,282,022	17,800,483	18,334,497	18,884,532	19,451,068	20,034,600	20,635,638	21,254,707	21,892,348
Insurance & Risk Services	1,380,383	649,598	2,280,058	2,348,460	2,418,914	2,491,481	2,566,225	2,643,212	2,722,508	2,804,184	2,888,309	2,974,959
TOTAL OPERATING REQUIREMENTS	\$56,458,026	\$62,508,240	\$71,046,622	\$74,217,779	\$77,536,058	\$80,435,306	\$83,444,459	\$86,567,730	\$89,809,496	\$93,174,305	\$96,666,879	\$100,292,124
TRANSFERS												
Transfer to Specialized Services Fund	2,900,000	4,485,186	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	-
Transfer to Medicaid Fund	327,750	327,750	327,800	327,800	327,800	327,800	327,800	327,800	327,800	327,800	327,800	-
Transfer to Point2point Fund	280,655	182,778	214,900	50,000	-	-	-	-	-	-	-	-
Transfer the Sustainable Services Reserve Fund	10,348,740	238,919	300,000	328,526	353,047	283,208	301,525	320,545	340,294	360,801	382,096	404,207
Transfer to Capital Projects Fund	9,123,845	4,680,547	6,675,635	2,888,787	3,397,431	2,619,932	1,603,474	2,041,797	1,017,126	3,613,426	2,770,113	2,331,860
TOTAL TRANSFERS	\$22,980,990	\$9,915,180	\$8,018,335	\$4,095,113	\$4,578,278	\$3,730,940	\$2,732,800	\$3,190,142	\$2,185,220	\$4,802,027	\$3,980,009	\$2,736,068
TOTAL REQUIREMENTS	\$79,439,016	\$72,423,420	\$79,064,957	\$78,312,892	\$82,114,336	\$84,166,246	\$86,177,259	\$89,757,872	\$91,994,716	\$97,976,332	\$100,646,888	\$103,028,192

TOTAL REVENUE - TOTAL REQUIREMENT	\$ (1,122,432)	\$ 1,247,182	\$ (1,990,632)	\$ 1,242,584	\$ 685,632	\$ (1,609,944)	\$ (990,669)	\$ (1,582,362)	\$ (993,429)	\$ (3,888,041)	\$ (3,503,820)	\$ (2,700,534)
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LRFP FORECASTED SERVICE (VRH)	223,100	242,700	253,500	266,500	279,400	279,400	279,400	279,400	279,400	279,400	279,400	279,400
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WORKING CAPITAL	FY2022-23 Actual	FY2023-24 Budget	FY2024-25 Budget	FY2025-26 Forecast	FY2026-27 Forecast	FY2027-28 Forecast	FY2028-29 Forecast	FY2029-30 Forecast	FY2030-31 Forecast	FY2031-32 Forecast	FY2032-33 Forecast	FY2033-34 Forecast
Gen Fund Beginning Working Capital	36,546,728	35,424,296	36,671,478	34,680,846	35,923,430	36,609,063	34,999,119	34,008,450	32,426,088	31,432,660	27,544,619	24,040,799
Gen Fund Ending Working Capital	35,424,296	36,671,478	34,680,846	35,923,430	36,609,063	34,999,119	34,008,450	32,426,088	31,432,660	27,544,619	24,040,799	21,340,264
Less: Unappropriated Ending Fund Balance (2 months)	(9,409,671)	(11,250,659)	(11,841,104)	(12,369,630)	(12,922,676)	(13,405,884)	(13,907,410)	(14,427,955)	(14,968,249)	(15,529,051)	(16,111,146)	(16,715,354)
General Fund Unrestricted Ending Working Cap	26,014,625	25,420,819	22,839,742	23,553,800	23,686,386	21,593,235	20,101,041	17,998,133	16,464,410	12,015,568	7,929,652	4,624,910