# Economic Conditions

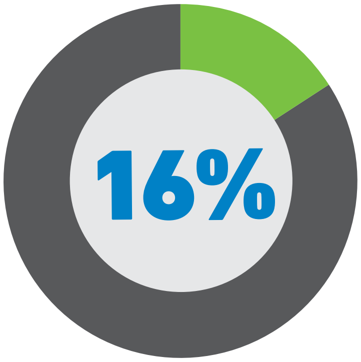
The economy has been facing significant headwinds as low interest rates, low inflation and government stimulus have come to an end. Current economic conditions indicate that a recession is more likely than not. The 2023 unemployment rate at 4.1 percent is up slightly from its low of 3.9 percent in June 2022.

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

The economic forecasts are never certain, but the District continually monitors and proactively plans for the risk factors of the economy on the District and adjusts accordingly – always the with a goal of

- Providing a consistent level of service commensurate with available resources to best meets the needs of the LTD community
- Balancing our fiduciary duty
- Maintaining our assets in a state of good repair and making long-term investments that ensure that we continue to meet our mission of connecting our community in a consistent, reliable and safe way.

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




## APRIL 2020 UNEMPLOYMENT PEAK FOR LANE COUNTY

**The current pandemic-induced recession is expected to be shorter than the great recession because there was a solid economic foundation prior to the pandemic.**

# Factors Impacting Budget

**Key Factor 1:**
**Inflation**

Inflation is a concern as the year-over-year change in CPI reached a 40-year high at 9.1 percent in June 2022. It has since moderated to 6.3 percent as of December 2022. For FY 24, a steady decline is expected to continue and inflation is expected to normalize within the year to around 3 - 5 percent which is above the Federal reserve target of 2 – 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% over the next four years. Other contract additions include a $450 bonus for EmX operators, adding Juneteenth and Martin Luther King Jr. Day as holidays, and work assignment/ schedule clarifications.

**Key Factor 3:**
**Investment to Replace Our Aging Fleet**

Reduction in Federal investment in transit bus replacement programs in the 2012 Moving Ahead for Progress in the 21st Century Act (MAP-21), and the District's decision to use capital funds to support operations during the Great Recession of 2008 resulted in an aging bus fleet. By the conclusion of FY 22, approximately 30% of the District's fleet met or exceeded their useful life. By the end of FY 23, the District will have received 16 new electric buses, in line with the District's Climate Action Policy and Fleet Procurement Goal of having 25 battery electric buses in our fleet by 2024. 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% employee payroll tax to create a Statewide Transportation Improvement Fund (STIF) for public transportation in Oregon that benefits a high percentage of students and low-income households. Ninety percent (90%) of STIF funds are Formula Funds, which are funds that are awarded on a noncompetitive basis according to a pre-determined formula. ODOT estimates that Lane County will receive approximately $34.6 million in Formula Funds over FY 24 and FY 25 (July 1, 2023 through June 30, 2025). Of those funds, $31.8 million will be generated within the District and $2.8 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 FY2022-2023 plan can be found on LTD's website at: www.LTD.org/file_viewer.php?id=6079

Nine percent (9%) of STIF funds are Discretionary Funds that are awarded based on a competitive grant process. The remaining 1% of STIF funds are allocated for administrative costs.

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

The CARES, CRRSA and ARPA Acts provide Federal assistance for COVID-19-related expenses and lost revenues. By the end of FY 23, the District will have used or programmed for use all of the $25.5 million CARES, $17.9 million CRRSA and $32.7 million American Rescue Plan Act 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 our riders and continuity of our service in the current pandemic and any future community crises.

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

In all that we do, at the forefront of our minds are our mission, vision and values. Reserves, in particular, are an important way for us to ensure that we meet our mission of connecting our community in a consistent, reliable and safe way – especially when those services are most needed and despite economic downturns, high inflation, disasters and emergencies. In February 2022, the LTD 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 Community Investment Plan
- Board designated reserves for potential financial risks or volatility

**Key Factor 7:**
**Long Range Financial Plan**

Prior year forecasted budgets have deficits between the revenues that we take in annually and our annual expenditures needed to operate and to meet our community investment plan goals. 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 Long-Range Financial Plan (LRFP).

Specifically, fixed route fare revenues were anticipated to recover over the next 5 years, but recent national trends are not supporting this. Personnel costs for the FY24 budget are at the level we expected two years from now. And due to inflation, increasing tech software, hardware, and support costs, the FY24 budgeted Materials and Supplies costs exceed the amount in the FY29 LRFP. See table on page 14.

The LRFP is adjusted each year to account for actual results from the preceding year, and to review assumptions for the future. Management will be working with the Board Finance Committee to establish the assumptions for the FY24 LRFP.

# Conclusion

The adopted FY 24 budget has been developed to serve as a foundation to the District's vision of creating a more connected, sustainable, and equitable community with respect, integrity, innovation, equity, safety, and collaboration. We thank the Board of Directors, Budget Committee, and District staff for their continued commitment to serve the public, especially our front-line employees who have put themselves in harm's way by providing essential transit services to our community. The strong leadership from the District's Board, advisory bodies, partners, taxpayers, and riders has allowed the District to serve as a trailblazer in the transit industry and as a public agency of which our community can be proud.

Sincerely,

**Jameson Auten**
*CEO*

**Pamela Strutz**
*Budget Officer*

| RESOURCES | FY2021-22 Estimate | FY2022-23 Proposed | FY2023-24 Forecast | FY2024-25 Forecast | FY2025-26 Forecast | FY2026-27 Forecast | FY2027-28 Forecast | FY2028-29 Forecast | FY2029-30 Forecast | FY2030-31 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| **OPERATING REVENUES** | | | | | | | | | | |
| Cash Fares & Passes | $2,094,571 | 2,199,300 | 2,809,300 | 3,296,200 | 3,296,200 | 3,296,200 | 3,296,200 | 4,191,400 | 4,191,400 | 4,191,400 |
| Group Passes | $1,728,397 | 1,580,706 | 1,859,400 | 2,066,800 | 2,066,800 | 2,066,800 | 2,066,800 | 2,313,700 | 2,313,700 | 2,313,700 |
| Advertising | $31,125 | | | | | | | | | |
| Special Services | | 55,000 | 330,000 | 330,000 | 330,000 | 330,000 | 330,000 | 330,000 | 330,000 | 330,000 |
| **TOTAL REVENUES** | **$3,854,093** | **$3,835,006** | **$4,998,700** | **$5,693,000** | **$5,693,000** | **$5,693,000** | **$5,693,000** | **$6,835,100** | **$6,835,100** | **$6,835,100** |
| **NON-OPERATING REVENUES** | | | | | | | | | | |
| Payroll Taxes | $42,081,318 | $47,005,600 | $49,326,500 | $51,601,500 | $53,195,500 | $55,527,600 | $57,951,400 | $60,415,500 | $62,968,100 | $67,212,400 |
| Self-Employment Taxes | $2,203,730 | $2,451,900 | $2,546,200 | $2,636,200 | $2,690,600 | $2,782,300 | $2,877,700 | $2,973,400 | $3,072,000 | $3,170,700 |
| State-In-Lieu | $589,303 | $658,500 | $691,100 | $723,100 | $745,600 | $788,100 | $822,500 | $857,500 | $893,700 | $954,000 |
| Federal Assistance | $20,030,000 | $16,730,604 | $7,861,000 | $4,928,200 | $35,000 | $35,000 | $35,000 | $35,000 | $35,000 | $35,000 |
| State Assistance | $1,078,000 | $1,078,000 | $2,138,400 | $3,237,400 | $3,337,900 | $3,528,400 | $3,682,400 | $3,839,000 | $4,001,200 | $4,270,900 |
| Miscellaneous | $332,688 | $332,688 | $349,200 | $365,300 | $376,700 | $398,200 | $415,600 | $433,200 | $451,500 | $482,000 |
| Interest | $49,956 | $51,000 | $50,000 | $51,000 | $218,400 | $346,700 | $498,800 | $478,200 | 477,800 | 485,000 |
| **TOTAL NON-OPERATING REVENUE** | **$66,364,995** | **$68,308,292** | **$62,962,400** | **$63,542,700** | **$60,599,700** | **$63,406,300** | **$66,283,400** | **$69,031,800** | **$71,899,300** | **$76,610,000** |
| **TOTAL REVENUES** | **$70,219,088** | **$72,143,298** | **$67,961,100** | **$69,235,700** | **$66,292,700** | **$69,099,300** | **$71,976,400** | **$75,866,900** | **$78,734,400** | **$83,445,100** |

| REQUIREMENTS | FY2021-22 Estimate | FY2022-23 Proposed | FY2023-24 Forecast | FY2024-25 Forecast | FY2025-26 Forecast | FY2026-27 Forecast | FY2027-28 Forecast | FY2028-29 Forecast | FY2029-30 Forecast | FY2030-31 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| **OPERATING REQUIREMENTS** | | | | | | | | | | |
| Personnel Services | $40,112,870 | $41,529,665 | $44,610,700 | $48,016,200 | $49,482,600 | $50,933,900 | $51,915,500 | $55,803,300 | $58,083,800 | $59,866,800 |
| Materials & Services | $10,517,838 | $13,205,568 | $13,385,300 | $12,383,300 | $11,903,600 | $12,005,100 | $12,274,000 | $14,093,200 | $13,696,200 | $14,046,300 |
| Insurance & Risk Services | $666,291 | $685,500 | $724,600 | $781,300 | $781,300 | $781,300 | $781,300 | $822,000 | $822,000 | $822,000 |
| Operating Contingency | | $1,314,843 | | | | | | | | |
| **TOTAL OPERATING REQUIREMENTS** | **$51,296,999** | **$56,735,576** | **$58,720,600** | **$61,180,800** | **$62,167,500** | **$63,720,300** | **$64,970,800** | **$70,718,500** | **$72,602,000** | **$74,735,100** |
| **TRANSFERS** | | | | | | | | | | |
| Transfer to Specialized Services Fund | $2,255,017 | $4,748,461 | $3,705,400 | $3,334,900 | $3,334,900 | $3,334,900 | $3,334,900 | $3,334,900 | $3,334,900 | $3,334,900 |
| Transfer to Medicaid Fund | $327,750 | $327,750 | $327,800 | $327,800 | $327,800 | $327,800 | $327,800 | $327,800 | $327,800 | $327,800 |
| Transfer to Point2point Fund | $218,124 | $280,655 | $249,400 | $249,400 | $249,400 | $249,400 | $249,400 | $249,400 | $249,400 | $249,400 |
| Transfer to the Sustainable Services Reserve Fund | | $11,011,740 | | | | | | | | |
| Transfer to Capital Projects Fund | $12,420,116 | $9,123,845 | $3,685,200 | $2,319,000 | $1,239,800 | $1,490,400 | $2,733,000 | $1,855,000 | $755,400 | $775,400 |
| Total Transfers | **$15,221,007** | **$25,492,451** | **$7,967,800** | **$6,231,100** | **$5,151,900** | **$5,402,500** | **$6,645,100** | **$5,767,100** | **$4,667,500** | **$4,687,500** |
| **TOTAL REQUIREMENTS** | **$66,518,006** | **$82,228,027** | **$66,688,400** | **$67,411,900** | **$67,319,400** | **$69,122,800** | **$71,615,900** | **$76,485,600** | **$77,269,500** | **$79,422,600** |