

FINANCE COMMITTEE MEETING

April 14, 2023

11 a.m.

Broadcast on YouTube at:

bit.ly/lextranmeeting

AGENDA

I.	Call to order	11:00		
II.	Approval of Minutes – September 29, 2022	11:00	–	11:05
III.	FY2024 Operating Budget	11:05	–	11:50
IV.	Five-Year Capital Plan	11:50	–	12:20
V.	Old Business	12:20	–	12:30
VI.	Adjournment	12:30		

LEXTRAN BOARD OF DIRECTORS FINANCE COMMITTEE MEETING

MINUTES
SEPTEMBER 29, 2022

MEMBERS PRESENT

George Ward, Finance Committee Chair
Dr. Koffi Akakpo, Board Member
Jamie Rodgers, Board Member
Jill Barnett, General Manager
Byron Robinson, Assistant General Manager
Nikki Falconbury, Director of Finance & HR

OTHERS PRESENT

Stephanie Hoke, Lextran Finance & Purchasing Manager
Alan Jones, Lextran Systems Administrator
Brad Schelle, Crowe
Scott Schutte, McBrayer Law Firm, Board Attorney

I. CALL TO ORDER

Mr. Ward called the September 29, 2022, Lextran Board of Directors Finance Committee meeting to order at 1:30 p.m.

II. APPROVAL OF MINUTES

Mr. Ward called for a motion to approve the April 6, 2022, committee meeting minutes. Ms. Rodgers made a motion to approve the minutes, and it was seconded by Mr. Akakpo. The motion carried unanimously.

III. FY2022 AUDIT PRESENTATION – CROWE LLP

Mr. Schelle, a partner for Crowe, gave an informative overview of Lextran's fiscal year 2022 independent audit. The independent auditors report format has changed this year for the layout, changing the opinion to the first paragraph and including more detail. Crowe shows an unmodified opinion, which is the highest form of opinion. The management discussion and analysis review are unaudited information. This information shows two years of data to compare each year in a summary level. Mr. Ward asked for an explanation for the notes receivable and how it will look next year with the New Markets Tax Credits closing. Mr. Schelle stated that all receivables will roll back into Lextran in fiscal year 2023. Mr. Ward asked about the cash restricted. Mr. Schelle stated that the restricted cash is related to the debt, on page 37, which is the loan proceeds for Lextran Real Properties. Ms. Falconbury stated that all of the remaining cash will be transferred to Lextran in fiscal year 2023. The capital assets amount displays the bus purchases from capital funds. The increase in operating expenses was due to wage increases and fuel increases. Net income has an increase in about 4.6 million dollars. Overall, the change in cash is about 8.3 million dollars for the summary of cash flow with an increase in net position.

Mr. Ward asked about the debt service for 12 million dollars. Ms. Falconbury explained that it is related to Lextran Real Properties and Lextran Foundation. Mr. Schelle stated that a subsequent event note could be added to include the closed loan information.

Mr. Schelle explained the list of the federal grants expended throughout the year and the testing for each of the grants. The independent audit report, in accordance with the Government Auditing Standards, looks at the financial statements and schedule of awards. Finding 2022-001, shows an adjustment of about 4.1 million dollars related to the preventive maintenance grant that was not executed as of June 30, 2022. These grants are typically pre-award authority, however GASB clarification states that you must have an executed agreement to record that revenue as a receivable. This funding was reversed and will show on the fiscal year 2023 financial statements once the agreement had been executed. Mr. Ward asked about the timing moving forward for future fiscal years. Ms. Falconbury explained, there is typically not an issue with the timing of this grant, however the state match was not finalized at the end of fiscal year 2022 due to an amendment. Mr. Schelle stated that there were no compliance issues or internal control issues related to grants.

Mr. Schelle described the audit communication letter and how it reviews responsibilities for audit standards and independent disclosure goes through the timing of the audit and significant changes. The management letter discloses any material weaknesses or deficiencies. Mr. Schelle stated that he is very pleased with Lextran's financial standpoint and internal controls, and the quality of people and controls in place for Lextran's size is very good.

IV. OLD BUSINESS

V. ADJOURNMENT

Mr. Ward called for a motion to adjourn the September 29, 2022, meeting of the Lextran Board of Directors Finance Committee. The meeting adjourned by consensus at 2:29 p.m.

MEMORANDUM

DATE: April 14, 2022

TO: Lextran Board of Directors Finance Committee

FROM: Jill Barnett, General Manager

SUBJECT: FY2024 Operating Budget and Five-Year Capital Plan

The Lextran FY2024 Operating Budget and Five-Year Capital Plan are attached for the Committee's consideration.

The Lexington-Fayette Urban County Government incorporated the transit authority by ordinance in 1972 and Lextran, as we are commonly known, began operating in December 1973. Therefore, the upcoming fiscal year holds excitement, as Lextran will celebrate its 50th anniversary in December 2023. Save this month in mind for a fun event!

In Fiscal Year 2023, transit agencies around the country have continued to find their new normal as the country emerges from a pandemic. Some have made bounce backs while others have struggled to find a new baseline, particularly in areas where ridership is largely driven by commuters and where fare revenue is a significant portion of the budget. Lextran has realized a higher than anticipated recovery in fixed route ridership and consequently, passenger revenue. Based on the trends, Lextran projects a five percent increase in passenger revenue for FY2024 based on a projected five percent increase in ridership. This is a somewhat conservative estimate, however the ridership recovery experienced in the last two years is likely to "level off" unless additional service is added.

Federal revenue for the FY2024 Operating Budget currently includes a combination of federal 5307 formula funds, as well as an apportionment from the American Rescue Plan Act of 2021 (ARPA). The formula funds included in the budget represent a slight increase over years past, thanks to the Infrastructure Investment & Jobs Act, or IIJA (also known as the Bipartisan Infrastructure Law) which was signed by President Biden in late 2021. In addition, we anticipate a drawdown of approximately \$2.6 million in remaining APRA funds for FY24, which will exhaust the COVID-relief funds to be used for operations.

Paratransit expenses represent a growing portion of the operating budget compared to years past. This is partially based on the current contract arrangement with the subcontractor (RATP Dev), which transitioned in October 2022 after being operated by a non-profit for the prior forty years. In addition to fixed costs and cost per trip, which are paid to the subcontractor, this line item includes paratransit eligibility assessments and fuel for paratransit vehicles.

All other expense categories have grown as well, based on market pricing, contract agreements, and anticipated needs. Diesel fuel is currently budgeted at \$4/gallon for FY24. This is based off our own recent fuel prices as well as forecasts from the U.S. Energy Information Administration. Mid-fiscal year, Lextran anticipates delivery of seven Compressed Natural Gas (CNG) vehicles and three battery electric vehicles. The new buses will replace current diesel models used for fixed route service. Both transitions have been factored into Fuel & Oil line item (Diesel to CNG transition) as well as Utilities (Diesel to Electric transition).

Employee wages and fringe benefits increased compared to FY23, which includes wage increases for represented and non-represented employees, anticipated increases in the cost of health insurance benefits, and adds two additional positions (one each in Maintenance and Administration). Employee health insurance is an open and active procurement, and detailed discussion could compromise the competitive nature of the process. Professional services includes contract maintenance, such as engine rebuilds and facilities maintenance, in addition to other items indulging (but not limited to) audit, legal services, payroll services, and management contract services. Engine rebuilds in particular have nearly doubled in cost, which impacts this line item significantly over our current projection.

I look forward to discussing this budget with you in greater detail. If you have any questions, please call me at 859.255.7756.

FY24 Operating Budget

DRAFT

FY2024 Budget FY2023 Projected FY2023 Budget FY2022 Actual

REVENUE

Property Tax Revenue	\$22,418,240	\$21,660,135	\$20,949,543	\$21,029,258
Federal Funding	\$8,761,413	\$17,057,336	\$17,918,641	\$7,739,281
UK Partnership	\$2,511,104	\$2,461,363	\$2,339,246	\$2,339,246
State Funding	\$1,216,025	\$1,216,025	\$1,216,025	\$1,213,668
Passenger Fares	\$1,207,223	\$1,149,291	\$986,917	\$972,803
Advertising Revenue	\$260,000	\$260,000	\$260,000	\$296,764
Miscellaneous Revenue (fuel tax, vending)	\$166,500	\$139,009	\$151,500	\$144,323
Revenue/Assets from Lextran Foundation	\$0	\$5,428,620	\$0	\$0
Local Operating Assistance	\$0	\$0	\$0	\$180,075
TOTAL REVENUE	\$36,540,505	\$49,371,779	\$43,821,872	\$33,915,416

OPERATING EXPENSES

Wages & Fringe	\$18,009,309	\$16,604,633	\$17,691,171	\$16,226,119
Paratransit Expense	\$8,080,000	\$7,772,750	\$5,200,000	\$4,952,787
Fuel & Oil	\$2,189,150	\$1,934,275	\$1,881,484	\$1,526,593
Professional Services	\$1,979,735	\$1,151,532	\$1,826,663	\$1,489,686
Materials & Supplies	\$1,428,500	\$1,439,471	\$1,351,500	\$1,230,220
Property & Liability Insurance Expense	\$870,515	\$829,062	\$851,166	\$878,291
Utilities & Phone	\$502,500	\$408,334	\$471,932	\$416,201
Miscellaneous Expenses (Bank fees, fuel tax)	\$250,400	\$239,743	\$247,900	\$262,097
Media Advertising	\$230,000	\$229,880	\$233,000	\$109,242
Professional Development & Employee Engagement	\$264,799	\$213,000	\$243,625	\$96,776
Vanpool Expense	\$72,000	\$43,800	\$20,000	\$22,863
Leases-Facility-Admin	\$2,184	\$2,184	\$0	\$208,704
TOTAL EXPENSES	\$33,879,092	\$30,868,664	\$30,018,441	\$27,419,578

5 Year Capital Plan

CAPITAL PROJECTS	FY2023	FY2024	FY2025	FY2026	FY2027
Bus Purchase (CNG)	1,403,308	6,000,000	4,000,000	850,000	875,500
Electric Buses & Chargers	5,134,553	-	943,581	-	-
Paratransit Vehicles	-	-	550,000	-	-
Bus Canopy (carry over)	2,200,000	-	-	-	-
CAD AVL System	-	3,500,000	-	-	-
ITS Technology Services	1,018,087	928,491	1,100,000	1,125,000	1,125,000
Planning, Research & Development		350,000			
Service Vehicles	255,000	-	-	75,000	75,000
Capital Cost of Contracting (Paratransit)	2,600,000	3,500,000	2,542,841	2,520,401	2,558,804
Capital Maintenance	2,600,000	2,600,000	2,527,357	2,520,401	2,558,804
Transit Center Project (TAP) (carry over)	1,650,000	1,000,000	-	-	-
Transit Enhancements (Shelters, Benches, Trash Cans)	150,000	150,000	150,000	150,000	150,000
Hardware & Software (IT Projects)	94,200	113,000	190,000	190,000	190,000
Shop Tools/Equipment/Facilities	94,375	3,212,412	1,078,663	1,048,762	1,048,762
Security Equipment	378,000	63,502	64,137	64,137	64,778
SUBTOTAL CAPITAL PROJECTS	17,577,523	21,417,405	13,146,578	8,543,701	8,646,647
Section 5307 Formula Funding	6,238,037	6,350,193	6,413,695	6,413,695	6,477,832
Section 5339 Bus & Bus Facilities Funding	4,668,965	553,533	559,068	564,659	570,306
Section 5339 LoNo Grant	2,200,000	6,359,880	-	-	-
State Funding	1,216,025	1,380,745	1,394,553	1,395,671	1,409,627
Carbon Reduction Program (through MPO)	-	-	754,865	-	-
Congestion Mitigation & Air Quality Improvement (CMAQ)	-	-	3,000,000	-	-
Coronavirus Aid, Relief & Economic Security Act (CARES)	-	3,500,000	-	-	-
Transit Center Project (TAP) (carry over)	428,000	-	-	-	-
Local Share from Mass Transit Fund	2,826,496	3,273,054	1,024,397	169,676	188,882
TOTAL	17,577,523	21,417,405	13,146,578	8,543,701	8,646,647

**Local match may be required for new grant funds.
Grant funds carry over if not completed during the fiscal year.