EXECUTIVE SUMMARY

LEBANON TRANSIT (LT) FINANCIAL CAPACITY ANALYSIS

The purpose of this plan is to determine the financial capacity of Lebanon Transit (LT), to operate bus service in the years up to FY 2017/2018. Utilizing financial capacity analysis, this plan documents present financial and productivity trends as a basis to predict LT's future financial condition and capacity.

This document is required by the Federal Transit Administration (FTA) per guidance issued in 1987. It is on the basis of this document that FTA will grant LT operating and capital assistance in the future as part of the LEBCO MPO Transportation Improvement Program (TIP).

The available financial data include LT's fiscal years 2013/2014 to 2017/2018.

INTRODUCTION

On March 30, 1987, the Urban Mass Transportation (UMTA), now Federal Transit Administration (FTA), issued Circular C 7008.1, Financial Capacity Policy, for Federal Transit Systems receiving Federal Funding. The FTA Circular was issued to insure that adequate review by the Metropolitan Planning Organization (MPO) of a transit system's financial capacity took place before federal funds were committed to a major capital or planning project. FTA now requires that the local transit system and/or local community have the financial capacity to pay for such improvements in addition to operating and maintaining the existing transit system.

The purpose of this financial capacity plan is to comply with the present FTA regulations and to determine the financial capacity of LT to undertake projects involving the acquisition, operation, and maintenance of facilities and equipment partially funded by the federal government. However, a financial capacity analysis is also an important tool for LT and the local municipalities that support public transit. It provides the framework to judge how cost-effective Lebanon Transit's public transit services are, and gives the local municipalities that support public transit a yardstick to measure the value they are getting for their investment.

DEFINITION OF FINANCIAL CAPACITY

The circular defined financial capacity as two (2) elements:

- ✓ Financial Condition
- ✓ Financial Capability

Financial condition refers to the ability of the operator to operate and maintain the transit system at its present level of service. Financial condition is reflected in working capital levels, capital accounts, operating cost and revenue, service levels and productivity and ridership.

Financial capability refers to the stability and reliability of revenue sources to meet future capital and revenue costs. Financial capability reflects a systems' present and future financial condition in meeting future service needs.

INDICATORS OF FINANCIAL CONDITION AND FINANCIAL CAPABILITY FY 2013/2014 to 2017/2018

Both indicators of financial capacity can be observed through various historical trends. For this plan, historical data and trend data will be utilized from LT's fiscal year (FY) 2013/2014 to 2017/2018. The four (4) year trends derived from this data will provide the basis to predict future trends. LT's Audited Reports and Financial Statements were used to gather this data. For convenience, these trends can be grouped into the following categories.

OPERATING REVENUE TRENDS

Total Federal Eligible Revenue (including passenger fares)

Total Non-Federal Eligible Revenue

Total Non-Subsidy Revenue

OPERATING ASSISTANCE TRENDS

Federal Operating Assistance

State Operating Assistance

Local Operating Assistance

EXPENSE TRENDS

Operating Expenses

Capital Expenses

RIDERSHIP AND PRODUCTIVITY TRENDS

Originating Passenger Trips

Originating Passengers per Vehicle Hour

Farebox Recovery Trends

OPERATING REVENUE

Operating Revenue is comprised of three (3) types of revenue sources:

Federal Eligible Revenue

This source includes Passenger Farebox Revenue and Other Federal Eligible Revenue, which includes advertising.

Federal eligible revenue is used to offset operating expenses. For example, in FY 2012/2013 LT's operating expenses were $2,517,110.00, and Section 5307 revenue of $458,979.00, which reduced our expenses to $2,058,131.00.

Federal Non-Eligible Revenue

This source includes investment income. Federal non-eligible revenue is funds that are not used to calculate federal operating assistance.

Non-Subsidy Revenue

Total non-subsidy revenue is the product of both federal non-eligible revenue and federal eligible revenue. The total amount is all the monies that are not considered subsidies from government sources to cover LT's operating deficit.

Operating Assistance

Operating Assistance is the subsidy that comes from federal, state, and local government sources to support LT operations. Federal operating assistance covers a calculated percentage of LT's operating expenses not covered by federal eligible revenue

SYSTEM EXPENSES

System expenses include operating and capital expenses. LT's operating expenses are the costs incurred to operate public transit services. Capital expenses are the costs related to either replacing or introducing major items that are necessary to the operation for the system such as buses and spare parts.

PRODUCTIVITY

Productivity can be defined as how effective the system is at producing "outputs" such as number of riders carried. The following indicators can be used to measure productivity:

Originating Passenger Trips

Originating passenger trips are the total number of trips provided by LT.

Ridership Characteristics

This measure is useful for financial capacity analysis because it indicates the kind of passengers that travel on LT and their impacts on federal eligible revenue and non-federal eligible revenue.

Originating Passengers per Vehicle Hour

Total vehicle hours refer to hours run by LT buses in any given year. Vehicle hours divided by originating passenger trips shows the level of productivity LT achieves in any given year.

Farebox Recovery Trends

Farebox recovery is calculated by taking all sources of total non-subsidy revenue and dividing it by operating expenses. The higher the level of farebox recovery, the healthier a system's financial condition and future financial capacity is likely to be.

DISCUSSION OF FINANCIAL CONDITION AND CAPACITY

OPERATING REVENUE TRENDS

Total Federal 5307 Revenue

LT receives Urban Federal 5307 money. We will continue to receive funds from this source and we expect to receive annual increases in the total amount based upon historical precedence.

OPERATING ASSISTANCE TRENDS

State Operating Assistance

Act 44 was implemented in FY 2007/2008. The transition from Act 26 Operating to Act 44 provided a significant increase in operating revenue. Legislation for Act 89 of 2013

was passed and is expected to take effect in FY 2014/2015; operating revenue is expected to stay at the same funding levels, any increases will be based on productivity.

Local Operating Assistance

The largest part of LT's local operating assistance comes from the County of Lebanon, with smaller amounts coming from the City of Lebanon and the Jonestown Borough. As per Act 44 directives, the local share we receive must increase by 5% each year until 15% share is achieved.

EXPENSE TRENDS

There are two (2) types of expenses, operating and capital.

Operating Expenses

Total operating expenses decreased approximately 1.28% from FY 2011/2012 – 2012/2013 mostly due to a decrease in insurance.

Capital Assistance

Over the past few years, we have replaced all of our antiquated buses. We have a secured fence around the perimeter of our main building and garage area. We are in the process of installing bus signs and shelters at various locations along our bus routes and installing surveillance equipment at our bus terminals.

PRODUCTIVITY TRENDS

Origination Passengers

Total Originating Passenger Trips

Originating Passenger per Vehicle Hour

Farebox Recovery

DISCUSSION OF PROJECTED FINANCIAL CONDITION AND CAPACITY

LT's financial goals in the next four (4) years are designed to ensure that operating revenue increases keep pace with operating expenses.

OPERATING REVENUE PROJECTIONS

Federal 5307 Revenue

As previously reported, LT estimates the total operating revenue to continue to increase over the next (4) fiscal years.

State Operating Assistance

Total State Act 89 operating assistance is expected to increase over the next four (4) years based upon historical trend and productivity.

OPERATING EXPENSE TRENDS

Operating Expenses

LT anticipates a maximum of 2.73% - 5.60% increase in operating expenses over the next (4) years.

Capital Expenses

LT will continue capital maintenance and improvement projects.

PRODUCTIVITY PROJECTIONS

Originating Passenger Trips and Ridership

Originating passenger trips is projected to increase by a minimum of 5% each year for the next four (4) years. This projection is based on current trends.

Originating Passenger per Vehicle Hour

This productivity factor remains consistent.

Farebox Recovery

We anticipate farebox recovery and operating revenue to remain stable for the planning period.

CONCLUSION

LT is confident it will have adequate financial capability to provide public transit service in Lebanon County for the next four years. The projections are based on past trends and provide a realistic standard for future financial and productivity goals.

In the event operating assistance at the federal, state, or local level is cut drastically, LT will respond to these cuts in an aggressive yet positive manner for the citizens of Lebanon County. Any challenges will be met through extensive discussion and planning with our Board of Directors who will provide the course of action needed to ensure fiscally viable transit operations.

LT's financial goals in the coming years will be to maximize operating revenues to keep pace with operating expenses. LT is committed to providing cost effective public transportation and will strive to continue to meet this goal.

FINANCIAL PROJECTIONS

	AUDITED 12-13	BUDGET 13-14	PROJECTED 13-14	14-15	15-16	16-17	17-18	18-19
OPERATING REVENUES								
PASSENGER FARES	$348,059.00	$379,000.00	$370,000.00	$388,500.00	$407,925.00	$428,321.00	$449,737.00	$472,224.00
ADVERTISING	$6,464.00	$6,500.00	$6,500.00	$6,500.00	$6,500.00	$6,500.00	$6,500.00	$6,500.00
INTEREST	$1,621.00	$2,000.00	$1,684.00	$2,000.00	$2,000.00	$2,000.00	$2,000.00	$2,000.00
MISC	$102,835.00	$40,000.00	$150,000.00	$86,000.00	$86,000.00	$86,000.00	$86,000.00	$86,000.00
TOTAL	**$458,979.00**	**$427,500.00**	**$528,184.00**	**$483,000.00**	**$502,425.00**	**$522,821.00**	**$544,237.00**	**$566,724.00**
OPERATING EXPENSES								
VEHICLE MAINTENANCE	$471,873.00	$569,518.00	$544,617.00	$569,692.00	$587,384.00	$605,629.00	$621,642.00	$638,105.00
NON VEHICLE MAINTENANCE	$94,997.00	$104,895.00	$106,895.00	$110,131.00	$113,294.00	$116,582.00	$119,766.00	$123,036.00
VEHICLE OPERATIONS	$1,253,411.00	$1,345,177.00	$1,346,967.00	$1,449,134.00	$1,494,945.00	$1,553,403.00	$1,606,417.00	$1,651,576.00
GENERAL AND ADMINISTRATIVE	$696,829.00	$718,345.00	$712,795.00	$734,026.00	$751,098.00	$770,879.00	$791,197.00	$812,079.00
TOTAL	**$2,517,110.00**	**$2,737,935.00**	**$2,711,274.00**	**$2,862,983.00**	**$2,946,721.00**	**$3,046,493.00**	**$3,139,022.00**	**$3,224,796.00**
OPERATING LOSS	**($2,058,131.00)**	**($2,310,435.00)**	**($2,183,090.00)**	**($2,379,983.00)**	**($2,444,296.00)**	**($2,523,672.00)**	**($2,594,785.00)**	**($2,658,072.00)**
NON-OPERATING REVENUES								
FEDERAL 5309	$995,845.00	$1,155,217.50	$1,017,699.00	$1,189,991.00	$1,222,148.00	$1,261,836.00	$1,297,392.00	$1,329,036.00
STATE ACT 89					$175,300.00	$1,163,438.00	$1,194,075.00	$1,220,552.00
STATE ACT 44	$980,779.00	$1,068,566.50	$1,080,388.00	$1,100,742.00	$953,136.00	$0.00		
LOCAL CONTRIBUTION	$81,507.00	$86,651.00	$85,003.00	$89,250.00	$93,712.00	$98,398.00	$103,318.00	$108,484.00
TOTAL	**$2,058,131.00**	**$2,310,435.00**	**$2,183,090.00**	**$2,379,983.00**	**$2,444,296.00**	**$2,523,672.00**	**$2,594,785.00**	**$2,658,072.00**
NET INCOME/LOSS	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**

RIDERSHIP PRODUCTIVITY PROJECTIONS

	12-13	13-14	14-15	15-16	16-17	17-18
PASSENGER TRIPS	291,070	314,655	330,387	346,907	364,252	382,465
VEHICLE REVENUE MILES	491,774	489,200	489,200	489,200	489,200	489,200
VEHICLE REVENUE HOURS	29,716	29,200	29,200	29,200	29,200	29,200
PASSENGER PER HOUR	9.80	10.78	11.31	11.88	12.47	13.10
OP. COST PER HOUR	$ 84.71	$ 92.85	$ 98.05	$ 100.92	$ 104.33	$ 107.50
OP. REVENUE PER HOUR	$ 15.45	$ 18.09	$ 16.54	$ 17.21	$ 17.90	$ 18.64
OP. COST PER TRIP	$ 8.65	$ 8.62	$ 8.67	$ 8.49	$ 8.36	$ 8.21
OP. COST PER MILE	$ 5.12	$ 5.54	$ 5.85	$ 6.02	$ 6.23	$ 6.42
FAREBOX RECOVERY	18.23%	19.48%	16.87%	17.05%	17.16%	17.34%
NON-SUBSIDY REVENUE	$458,979.00	$528,184.00	$483,000.00	$502,425.00	$522,821.00	$544,237.00
OPERATING EXPENSES	$2,517,110.00	$2,711,274.00	$2,862,983.00	$2,946,721.00	$3,046,493.00	$3,139,022.00