



EXECUTIVE SUMMARY

LEBANON TRANSIT FINANCIAL CAPACITY ANALYSIS PLAN

The purpose of this Plan is to determine the Financial Capacity of Lebanon Transit (LT), to operate public transit service in the years up to FY 2021/2022. Utilizing the Financial Capacity Analysis, this Plan documents present financial and productivity trends as a basis to predict LT's future financial condition and capacity.

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

INTRODUCTION

On March 30, 1987, the Urban Mass Transportation (UMTA), now the 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 systems' 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 FTA regulations and to determine the financial capacity of LT to undertake projects involving the acquisition, operation, maintenance of facilities and equipment partially funded by the Federal government. However, the Financial Capacity Analysis is an important tool for LT and the local municipalities that support public transit. It provides the framework to judge how cost-effective LT'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 has two (2) elements:

- ✓ Financial Condition
- ✓ Financial Capability

Financial Condition:

Refers to the ability of the agency 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, 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 2017/2018 to 2021/2022

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 FY 2012/2013 to 2016/2017. The five (5) 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

Passengers per Vehicle Revenue Hour
Cost per Vehicle Revenue Hour
Revenue per Vehicle Revenue Hour
Cost per Passenger
Farebox Recovery

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 2016/2017 LT's operating expenses were \$2,843,356, and operating revenue of \$386,647, which reduced expenses to \$2,456,709.

Federal Non-Eligible Revenue

This source includes investment income. Federal Non-Eligible Revenue are 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 monies 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 annual operating costs incurred from services provided to operate public transit service. 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 passengers carried. The following indicators can be used to measure productivity:

Passengers per Vehicle Revenue Hour

Total annual number of originating passengers divided by the total annual number of “in-service” hours provided by LT in any given year.

Cost per Vehicle Revenue Hour

The annual operating cost of services provided divided by the total annual number of “in-service” hours provided by LT in any given year.

Revenue per Vehicle Revenue Hour

Total annual operating revenue generated from farebox and other non-state, non-federal sources divided by the total annual number of “in-service” hours provided by LT in any given year.

Cost per Passenger

Total annual operating cost of services provided divided by the total annual number of originating passengers 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 the system’s financial condition and future financial capacity is likely to be.

**DISCUSSION OF CURRENT FINANCIAL CONDITION AND CAPACITY
TRENDS**

OPERATING REVENUE TRENDS

Non-Subsidy Revenue

Non-Subsidy Revenue fluctuates from year to year. It is based on the number of passenger boarding's in any given year. We expect to receive annual increases based upon historical precedence.

OPERATING ASSISTANCE TRENDS

Total Federal 5307 Revenue

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

State Operating Assistance

Act 44 was implemented in FY 2007/2008. The transition from Act 26 to Act 44 provided a significant increase in operating revenue. Legislation for Act 89 of 2013 was passed and took effect in FY 2014/2015, any increases in operating revenue will be based on productivity.

Local Operating Assistance

LT receives local operating assistance from Lebanon County. As per Act 44 directives, the local share LT receives must increase by 5% each year until a 15% share is achieved.

EXPENSE TRENDS

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

Operating Expenses

Total operating expenses have increased over the last five (5) years by approximately 11%, which equates to a little over 2% per year from FY 2012/2013 to 2016/2017.

Capital Assistance Projects

- **LT Security Project**- LT recently completed phase two of a security project, installing security cameras at the administrative office and maintenance department located at 200 Willow St., Lebanon. In addition, replacement cameras were installed at the Shared Ride Division/Park n' Ride located at Schneider Dr., Lebanon.
- **LT Signs and Shelters Project**- LT is in the process of a Signs and Shelters Project. The Project includes installing Bus Stop Signs and fourteen (14) Bus Shelters throughout Lebanon County. Completion of the Project is expected in August 2018.
- **LT Compressed Natural Gas Project** - LT is nearing completion of installing a Compressed Natural Gas (CNG) Fueling Station at the LT office, 200 Willow St., Lebanon.

PRODUCTIVITY TRENDS

Passengers per Vehicle Revenue Hour

Over the past five (5) years LT's passengers per hour have increased from 9.8 to 10.5.

Cost per Vehicle Revenue Hour

Over the past five (5) years LT's cost per hours has increased \$84.71 to \$93.93.

Revenue per Vehicle Revenue Hour

Over the past five (5) years LT's revenue per hour has decreased from \$15.39 to \$12.77.

Cost per Passenger

Over the past five (5) years LT's cost per passenger has increased from \$8.65 to \$8.95.

Farebox Recovery

Over the past five (5) years LT's farebox recovery has decreased from 18.2% to 13.6%.

FIXED ROUTE FINANCIAL TRENDS					
	Audited 12-13	Audited 13-14	Audited 14-15	Audited 15-16	Audited 16-17
OPERATING REVENUES					
PASSENGER FARES	\$348,059.00	\$362,453.00	\$389,608.00	\$391,630.00	\$374,534.00
ADVERTISING	\$6,464.00	\$4,994.00	\$4,912.00	\$17,766.00	\$8,440.00
INTEREST	\$1,621.00	\$0.00	\$0.00	\$0.00	\$0.00
MISC	\$102,835.00	\$140,984.00	\$4,350.00	\$3,938.00	\$3,673.00
TOTAL	\$458,979.00	\$508,431.00	\$398,870.00	\$413,334.00	\$386,647.00
OPERATING EXPENSES		4.3%	1.6%	-1.0%	6.9%
VEHICLE MAINTENANCE	\$461,202.00	\$458,186.00	\$465,740.00	\$452,832.00	\$505,933.00
FACILITY MAINTENANCE	\$138,333.00	\$126,782.00	\$118,054.00	\$135,981.00	\$127,221.00
VEHICLE OPERATIONS	\$1,253,209.00	\$1,315,688.00	\$1,362,245.00	\$1,237,077.00	\$1,289,555.00
GENERAL AND ADMINISTRATIVE	\$664,366.00	\$730,778.00	\$728,277.00	\$821,425.00	\$920,647.00
TOTAL	\$2,517,110.00	\$2,631,434.00	\$2,674,316.00	\$2,647,315.00	\$2,843,356.00
OPERATING LOSS	(\$2,058,131.00)	(\$2,123,003.00)	(\$2,275,446.00)	(\$2,233,981.00)	(\$2,456,709.00)
NON-OPERATING REVENUES					
FEDERAL 5307	\$995,845.00	\$1,027,286.00	\$1,148,384.00	\$532,797.00	\$99,826.00
STATE ACT 89, SECTION 1513	\$980,779.00	\$1,009,430.00	\$1,038,689.00	\$1,607,032.00	\$2,258,566.00
LOCAL CONTRIBUTION	\$81,507.00	\$86,287.00	\$89,373.00	\$94,152.00	\$98,317.00
TOTAL	\$2,058,131.00	\$2,123,003.00	\$2,276,446.00	\$2,233,981.00	\$2,456,709.00
NET INCOME/LOSS	\$0.00	\$0.00	\$1,000.00	\$0.00	\$0.00

FIXED ROUTE RIDERSHIP PRODUCTIVITY TRENDS					
	12-13	13-14	14-15	15-16	16-17
PASSENGER TRIPS	291,070	308,748	334,640	332,624	317,535
VEHICLE REVENUE MILES	491,774	508,271	495,397	496,657	497,677
VEHICLE REVENUE HOURS	29,717	30,699	30,705	31,019	30,271
PASSENGER PER HOUR	9.80	10.06	10.90	10.73	10.49
OP. COST PER HOUR	\$ 84.70	\$ 85.72	\$ 87.10	\$ 85.34	\$ 93.93
OP. REVENUE PER HOUR	\$ 15.44	\$ 16.55	\$ 12.99	\$ 13.33	\$ 12.77
OP. COST PER TRIP	\$ 8.65	\$ 8.52	\$ 7.99	\$ 7.96	\$ 8.95
OP. COST PER MILE	\$ 5.12	\$ 5.18	\$ 5.40	\$ 5.33	\$ 5.71
FAREBOX RECOVERY	18.23%	19.31%	14.91%	15.61%	13.60%
NON-SUBSIDY REVENUE	\$458,979.00	\$508,134.00	\$398,870.00	\$413,334.00	\$386,647.00
OPERATING EXPENSES	\$2,517,110.00	\$2,631,434.00	\$2,674,316.00	\$2,647,315.00	\$2,843,357.00

DISCUSSION OF PROJECTED FINANCIAL CONDITION AND CAPACITY

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

REVENUE PROJECTIONS

Non Subsidy Revenue

Over the next four (4) years LT expects Non-Subsidy Revenue to increase by at least 3% per year.

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.

Local Operating Assistance

Local Operating Assistance is expected to increase by 5% each year until a 15% local match is achieved.

EXPENSE PROJECTIONS

Operating Expenses

LT anticipates an average increase of approximately 4% per year in operating expenses over the next four (4) years.

Capital Expenses

LT will continue capital maintenance and improvement projects such as replacing its current diesel bus fleet with CNG buses as well as Safety and Security IT upgrades.

PRODUCTIVITY PROJECTIONS

Passenger per Vehicle Revenue Hour

Passenger per Vehicle Revenue Hour is expected to increase at least 2% per year. LT's passenger per hour is projected to be **12.25** in FYE 2021/2022.

Cost per Vehicle Revenue Hour

Cost per Vehicle Revenue Hour is expected to increase by no more than 3% per year. LT's cost per passenger is projected to be **\$110.58** in FYE 2021/2022.

Revenue per Vehicle Revenue Hour

Revenue per Vehicle Revenue Hour is expected to increase by at least 2% per year. LT's revenue per hour is projected to be **\$17.07** in FYE 2021/2022.

Cost Per Passenger

Cost per Passenger is expected to increase no more than 1% per year. LT's cost per passenger is projected to be **\$9.03** in FYE 2021/2022.

Farebox Recovery

We anticipate Farebox Recovery and operating revenue to remain stable for the planning period.

FIXED ROUTE FINANCIAL PROJECTIONS					
	BUDGET	3%	3%	3%	3%
	17-18	18-19	19-20	20-21	21-22
OPERATING REVENUES					
PASSENGER FARES	\$402,030.00	\$414,090.90	\$426,513.63	\$439,309.04	\$452,488.31
ADVERTISING	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00
INTEREST	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00
MISC	\$40,000.00	\$40,000.00	\$40,000.00	\$40,000.00	\$40,000.00
TOTAL	\$472,030.00	\$484,090.90	\$496,513.63	\$509,309.04	\$522,488.31
OPERATING EXPENSES		5.2%	3.5%	3.5%	3.5%
VEHICLE MAINTENANCE	\$511,008.00	\$525,578.00	\$541,948.00	\$559,017.00	\$576,568.00
FACILITY MAINTENANCE	\$76,763.00	\$79,042.00	\$81,136.00	\$83,292.00	\$85,523.00
VEHICLE OPERATIONS	\$1,527,659.00	\$1,647,159.00	\$1,716,598.00	\$1,789,380.00	\$1,864,638.00
GENERAL AND ADMINISTRATIVE	\$765,495.00	\$787,748.00	\$810,396.00	\$833,785.00	\$857,863.00
TOTAL	\$2,880,925.00	\$3,039,527.00	\$3,150,078.00	\$3,265,474.00	\$3,384,592.00
OPERATING LOSS	(\$2,408,895.00)	(\$2,555,436.10)	(\$2,653,564.37)	(\$2,756,164.96)	(\$2,862,103.69)
NON-OPERATING REVENUES					
FEDERAL 5307	\$0.00	\$1,035,611.00	\$1,072,218.00	\$1,072,218.00	\$1,072,218.00
STATE ACT 89, SECTION 1513	\$2,312,607.00	\$1,420,175.10	\$1,476,543.37	\$1,573,728.96	\$1,673,978.69
LOCAL CONTRIBUTION	\$96,288.00	\$99,650.00	\$104,803.00	\$110,218.00	\$115,907.00
TOTAL	\$2,408,895.00	\$2,555,436.10	\$2,653,564.37	\$2,756,164.96	\$2,862,103.69
NET INCOME/LOSS	\$0.00	\$0.00	(\$0.00)	(\$0.00)	(\$0.00)

FIXED ROUTE RIDERSHIP PRODUCTIVITY PROJECTIONS					
	17-18	18-19	19-20	20-21	21-22
PASSENGER TRIPS	333,164	343,159	353,454	364,057	374,979
VEHICLE REVENUE MILES	495,838	495,838	495,838	495,838	495,838
VEHICLE REVENUE HOURS	30,608	30,608	30,608	30,608	30,608
PASSENGER PER HOUR	10.88	11.21	11.55	11.89	12.25
OP. COST PER HOUR	\$ 94.12	\$ 99.30	\$ 102.92	\$ 106.69	\$ 110.58
OP. REVENUE PER HOUR	\$ 15.42	\$ 15.82	\$ 16.22	\$ 16.64	\$ 17.07
OP. COST PER TRIP	\$ 8.65	\$ 8.86	\$ 8.91	\$ 8.97	\$ 9.03
OP. COST PER MILE	\$ 5.81	\$ 6.13	\$ 6.35	\$ 6.59	\$ 6.83
FAREBOX RECOVERY	16.38%	15.93%	15.76%	15.60%	15.44%
NON-SUBSIDY REVENUE	\$472,030.00	\$484,091.00	\$496,514.00	\$509,309.00	\$522,488.00
OPERATING EXPENSES	\$2,880,925.00	\$3,039,527.00	\$3,150,078.00	\$3,265,474.00	\$3,384,592.00

CONCLUSION

Lebanon Transit is confident it will have adequate financial capability to provide public transit service in Lebanon County for the next four years and beyond. 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 LT's staff and Board of Directors who will provide the course of action needed to ensure fiscally viable transit operations.

LT's financial goal 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.