LANE TRANSIT DISTRICT

SPECIAL BOARD MEETING/
STRATEGIC PLANNING WORK SESSION

Monday, June 9, 2008

Pursuant to notice given to *The Register-Guard* for publication on June 5, 2008, and distributed to persons on the mailing list of the District, the Board of Directors of the Lane Transit District held a special meeting/strategic planning work session on Monday, June 9, 2008, beginning at 3 p.m., in the LTD Board Room at 3500 East 17th Avenue, Eugene.

Present:	Gerry Gaydos, President, presiding
	Mike Dubick
	Mike Eyster, Vice President
	Greg Evans
	Dean Kortge, Secretary
	Ed Necker
	Mark Pangborn, General Manager
	Jo Sullivan, Clerk of the Board/Minutes Recorder
Absent:	Debbie Davis, Treasurer

CALL TO ORDER – Mr. Eyster called the meeting to order at 3:14 p.m. Mr. Gaydos was not yet present.

ANNOUNCEMENTS AND ADDITIONS TO THE AGENDA – Mr. Pangborn introduced Warren Wong, who had been invited to participate with the Budget Committee as an interested person. He also thanked Budget Committee member Darrel Williams for attending.

STRATEGIC PLANNING SESSION

Latest Budget Information – Director of Finance and Information Technology Diane Hellekson introduced this topic and said that staff would be asking the Board for direction on budget reduction options. She noted that the Budget Committee had approved $3.75 as the average per-gallon fuel price for Fiscal Year 2008-09, but the price already had reached $3.89. Payroll tax receipts had grown by 8.4 percent, largely due to construction projects. Ms. Hellekson said that a slowing of the growth rate had to be factored in. She explained that the payroll tax revenues had increased 8.4 percent—5 percent in overall growth, and 3.4 percent due to a two-step rate increase. This rate was projected to be 2.8 percent in the future, and then lower in outer yeas.

Mr. Gaydos asked how much the payroll tax receipts were affected by the slowdown in residential construction. Ms. Hellekson replied that the last time staff looked into this, residential housing had not been a major factor. However, delays in huge projects, especially public projects that were subject to the Davis-Bacon Act, would have a major impact. Mr. Pangborn stated that there had been a 5 percent growth rate to that point, and asked the Board to keep that in mind during the evening's discussions. He added that if LTD had to cut service, there would be no way to do that so that no one lost service, since LTD did not run service that no one rode.

Mr. Gaydos arrived at 3:25 p.m.

Service Reduction Analysis – Director of Service Planning, Accessibility, and Marketing Andy Vobora stated that planning for possible service reductions was at the idea stage, and there were no specific recommendations at that point. He asked the Board to talk at a macro level about objectives and what they wanted to accomplish, maybe even to the point of a service redesign.

Mr. Vobora used a PowerPoint presentation to discuss redesign objectives and a restatement of the Service Policy. He explained that the ridership standard for routes was 67 percent of the system average. This was a floating standard that went up as the buses became fuller. Productivity and coverage were allocated in the system at 80 percent and 20 percent, respectively. Mr. Vobora said that a new issue to consider resulted from Title VI rulings requiring that systems ensure that they were serving lower-income populations. Other service issues to consider were 60-minute headways, a timed-meet pulse system, and stop spacing at 1,000 feet. Mr. Vobora noted other scheduling issues as well, such as school bell times, in order to meet the needs of middle and high school students.

Additional issues for consideration were the need to meet budget objectives, including the impact of dramatically increased Ride*Source* use, maximizing peak bus use, and the transit equity considerations and mandates of Title VI of the U.S. Civil Rights Act. Mr. Evans said that the Title VI issues were for underserved populations, not just minority populations, but rural as well.

Mr. Kortge thought that some of the issues were service related rather than economic, such as the grid versus radial system. Mr. Vobora discussed some service elements, including productivity on the different days of service (weekdays, Saturdays, and Sundays).

Mr. Vobora discussed additional issues for consideration, including span of service, midday frequency, reduced coverage, and cross-town service. He explained a three-phase outreach program. Following Board feedback, LTD would be accepting feedback throughout the summer. During June through October, staff would be developing alternatives. Public involvement would occur from August through November, with public hearings in October and November, and the Board would be asked to make a decision about FY 2009-10 service in December 2008. New service levels would be implemented in September 2009.

Mr. Wong asked what would happen if the economy took a stronger dive mid-year, since Oregon typically lagged behind the national economy. Mr. Vobora said that the Board would be working from a priority list for service, but these issues would have to be known soon in order to make changes in February 2009.

Mr. Evans said that a lot of people thought that LTD was spending money needlessly on EmX and cutting service. He stated that this was a complicated issue that LTD had to meet head on. Mr. Vobora replied that EmX was a long-term strategy and operationally productive. Mr. Necker wanted to be sure that the public was educated about these kinds of projects being federally funded. Mr. Pangborn stated that this was part of the full range of what LTD would be looking at, as well as a full redesign. He stressed that the course had not yet been set.

Other Possible Cost Savings

<u>Budget Reduction Options: Administrative Personnel, FY 2008-09</u> – Assistant General Manager Stefano Viggiano called attention to page 7 of the meeting packet. The first paragraph explained that the number of bus operators was determined by the amount of service that was provided, as

were some other positions that supported service a little less directly, such as mechanics. Other positions that provided critical support services not directly tied to service on the street were required in order to maintain LTD programs. Mr. Viggiano explained that LTD had a performance objective to maintain administrative overhead expenditures at less than 20 percent of the operating budget; currently, those expenses were at approximately 17 percent.

Mr. Kortge asked if grant-funded positions could be used to pay for fuel. Mr. Viggiano and Director of Planning & Development Tom Schwetz explained that those discretionary, project-related capital funds could be used for specific projects only. Mr. Pangborn added that Commuter Solutions funding could not be used for operational expenses.

Mr. Viggiano stated that staff were not recommending eliminating other administrative staff positions. Staff were working at capacity, so eliminating positions would mean eliminating work products.

Mr. Gaydos stated that the Eugene mayor's race might be making an issue of travel expenses. Mr. Pangborn stated that this could be a recommendation in "Plan B" if the local economy took a harder dive. Mr. Kortge said that a salary freeze meant a lot to the public, so he would not take that off the table yet.

<u>Budget Reduction Options: Materials & Services</u> – Mr. Viggiano then discussed recommendations for reductions in Materials & Services, found on pages 9 and 10 of the packet. He noted that these would not be one-year reductions. If agreed to, they would be programmed into the Long-Range Financial Plan.

Mr. Kortge asked again about travel. Mr. Pangborn replied that reductions in travel were fairly minor, at his direction. He explained that in the past when there were financial downturns, travel and training had been cut back more extensively. When adding a training specialist position, LTD had made a commitment to training and increasing the competency of the staff. He said that staff were being asked to do more with more skills, and he also wanted them to maintain their professional contacts and networking, which he described as critical to running an effective operation. He stated that staff were very careful to focus on learning specific skills, with no extraneous "perks" built in. He said that all staff travel expenses combined amounted to $120,000.

Mr. Wong asked if LTD had considered outsourcing anything. Mr. Viggiano said that they had not considered additional outsourcing areas. He explained that each department looked at its own budget, but he was not aware of anyone talking about outsourcing. Mr. Wong suggested that payroll could be outsourced, as an example.

Mr. Williams left the meeting at 4:40 p.m.

Mr. Gaydos asked about local police and security staffing. Mr. Pangborn said that having Eugene Police at the Eugene Station had been valuable. In the future they would be paying to rent the space, but LTD would continue to pay for part of a police officer. Mr. Pangborn stated that a mobile Wackenhut security officer position had been included in the recommended reductions.

Mr. Gaydos wondered if LTD would have to do more if public safety staffing were reduced county-wide. Mr. Viggiano said that LTD would have to watch that issue closely.

Budget Reduction Options: Capital Expenditures – Mr. Viggiano explained that if LTD eliminated discretionary capital projects, the capital money would be lost to LTD, but that the 20 percent for matching funds would be available for operations. He stressed that this would be a one-time savings. With federal formula funds, he said, there was an opportunity to use them for certain operational needs. As a short-term solution, staff were recommending that approximately $1 million in formula funds a year for three years be used to fund Ride*Source*. A list of recommendations for project elimination, reduction, or delay began on page 12 of the agenda materials.

Mr. Kortge wondered how LTD would recover the capital local match funding if these funds were spent. Mr. Viggiano replied that the Board would have to put funds back in the Long-Range Financial Plan, but the funds that were spent down would be gone.

Mr. Viggiano noted that projects not being recommended for elimination were described on page 14. He noted that Bus Plus (progressive corridor enhancement) funds could be used for some aspects of the Pioneer Parkway Corridor project, including a fifth vehicle.

Mr. Viggiano summarized the staff recommendation, saying that elimination or reduction of the first three capital items would generate close to $3 million, so that $1 million per year could be allocated to Ride*Source*. Mr. Pangborn stressed that it should be seen as a temporary source of funding, because once LTD began to use it, there would be no regaining it unless another source of revenue could be found. In the future, the District would need that money for capital projects. He said that staff would make a concerted effort to find additional funding for Ride*Source*; if successful, the federal dollars could be backed out. However, he said, if LTD was not successful in finding an additional funding source, these federal dollars would be spent on Ride*Source* rather than capital projects.

Mr. Evans said that the American Public Transportation Association (APTA) was trying to find a way to incorporate some type of funding for paratransit in the next federal authorization bill.

Mr. Kortge repeated Mr. Wong's point about outsourcing. He said he would look at outsourcing payroll, but he did not think that outsourcing Human Resources at LTD made sense. He wondered about graphics or some marketing aspects.

Mr. Wong thought hat it was a "slippery slope" to start using capital money on the operating side. Mr. Kortge thought that if LTD was never going to spend the money on a capital project, then it would be okay, but if it was something that LTD had to have, he did not want to give up that money. Mr. Viggiano stressed that LTD would have to keep eliminating more items to come up with another $3 million in future years.

Mr. Pangborn stated that Mr. Wong had captured the angst among staff: if LTD did not do this, then another $1 million per year would have to be added to service cuts, or revenue sources found to replace that money.

The Board took a break from 5:15 to 5:38 p.m.

In reflection, Mr. Gaydos said that in focusing on infrastructure, LTD had done an excellent job; facilities were designed and constructed well and they held up well. He thought this was an important aspect to mention. He said it also was important to balance efficiency, coverage, and productivity. He noted that former Board Member Dave Kleger would be saying that if LTD kept having buses in traffic, they would just be suffering from congestion. Mr. Gaydos said that the Board members were the stewards of the infrastructure and system, and he wanted to make sure that continued. He explained that he was not necessarily saying that EmX was in the future, but that the Board should keep that future vision.

Mr. Gaydos noted that Mr. Wong had said that using the federal money for operations was a slippery slope and hard to recover; on the other hand, he said, it would buy LTD some time. His personal opinion, he said, was that LTD needed to focus on the future, but that might cost something in the present. He said that the Board had the opportunity to choose the future it wanted. He hoped LTD would not give up on the future or on providing the best service it could, and he knew that if the buses could not be out of the congestion, it would be worse in the future. He did not want to jump to conclusions that this process would solve the problem, but he also did not want to walk away from the challenge. He hoped the Board and Budget Committee could come together for a solution that would be a present fix but continue the future look.

Revenue Options – Fare Increases (and other user fees) – Mr. Pangborn called the Board's attention to page 16 of the packet. He stated that the two on page 16 were the most relevant: Fare Increases (and other user fees) and Planned Funding Requests. He said that at the June 18 Board meeting, the staff would be recommending additional fare increases. Mr. Vobora added that a public hearing and the first reading would be held in June, and a second hearing, the second reading, and adoption would be scheduled for the July 16 Board meeting. Changes would take effect in September 2008.

Mr. Pangborn stated that when LTD had to make service cuts in 2009, it would be traumatic for a lot of people, so staff would prefer not to make the fare changes at the same time as the service cuts. He noted that TriMet in Portland was raising fares for buses and light rail service, and that TriMet had zone fares because of its size and the distances traveled.

Planned Funding Requests – Mr. Viggiano said that the federal reauthorization legislation could be delayed depending on the new Administration, and chances were small that the federal government would step in with local operating assistance. He said that the best hope for additional funding would be at the state level.

Mr. Kortge asked if staff were optimistic about state funding and whether there was a champion for transit funding at the state level. LTD consultant Linda Lynch replied that staff were optimistic. The state was looking at the actual need and predicted future need for the next five to ten years. She said it was hard to guess what percentage of the people would be transit dependent or want to use public transportation more as the population aged. She added that quite a bit of work was being done on this issue around the state, and the case was being made to the governor for a transportation package for the next legislative session.

Ms. Lynch explained that the Oregon Department of Human Resources budget required that a committee meet and come up with a dollar number. She expected that this number would be pretty accurate, likely between $15 million and $20 million per year, so there probably would need to be some kind of political assessment.

Mr. Necker mentioned the fee for Oregon ID cards going to special transportation. He said that fewer IDs were being issued, so whether that money would come from the general fund or some other fund would "paint the picture" for the future.

Long-Range Financial Plan (LRFP) – Director of Finance and Information Technology Diane Hellekson said that there still were a lot of unknowns about the coming years, and LTD could not guess on every variable. She said that the LRFP assumed there were no major surprises when building the Pioneer Parkway EmX extension; there were no major contingencies in the proposal. She pointed out that service cuts would be required in the LRFP, as shown on page 27 of the packet. She stated that added service to the new hospital at RiverBend had been in the budget as long as the RiverBend project had been planned.

Ms. Hellekson discussed growth rate projections for year one (2009-10). The worst case showed a 2.8 percent rate, assuming no overall growth in payroll tax receipts and only an increase in the tax rate. This would result in a 14.2 percent reduction in service hours, with no capital contingency.

Mr. Evans asked, given the increases seen during the last six months in the price of oil, whether it was conceivable that estimating $5 per gallon for gas was low. Ms. Hellekson replied that in the analyses she had been reading, the price was expected to level off for awhile and then increase by smaller increments. She added that using $10 per gallon would mean a 30 percent service reduction, and would be hard to “sell” for something that had not yet happened.

Mr. Kortge said he thought $5 per gallon was a realistic number.

Mr. Dubick asked if the 2009-10 LRFP was trying to speculate where the diesel fuel cost might be by that year. Ms. Hellekson said yes, as well as what the economy might be doing. She said that the payroll tax growth rate had been 3.5 percent in the previous year, and 8.1 percent in the current year. She thought that 2.8 percent was unlikely for 2009-10, that 7.8 percent might be a little optimistic, and that 5.8 percent was more realistic. That amounted to a 3 percent growth rate plus the scheduled rate increase.

Mr. Pangborn said that when assuming $5 per gallon for fuel prices, the range for service cuts was between 7 percent and 14.2 percent. Mr. Dubick commented that gas currently was $3.90, and LTD was trying to see 15 months down the road. Mr. Viggiano clarified that this scenario was built on fuel prices for 2008-09. Ms. Hellekson said that staff were proposing that service cuts be implemented in 2009-10, but all of the other cuts sooner.

Mr. Dubick and Mr. Kortge agreed that a 9.2 percent service cut was the best option. Mr. Kortge added that he wanted to have more Board discussion about capital funding recommendations. Mr. Pangborn noted that the LRFP option they were considering included the $1 million in capital funding for operations. If the Board did not make that change, the cuts would be higher.

Mr. Dubick thought that LTD had to put the effects on service first, and that maybe 14.2 percent was the worst case. He wanted to know what 9.2 percent and 14.2 percent would look like in terms of the choices between service changes, not just percentage numbers.

Mr. Vobora reminded the Board that in 2002 and 2004, LTD cut 9 percent and 4 percent of service, respectively. He said that service could be cut all at one time or in steps, depending on whether the recession got more severe. He said that staff could develop a priority list within the current route structure or using different boundaries.

Mr. Dubick thought that a 14.2 percent cut would result in a paradigm change.

Mr. Kortge said that if LTD had to make a 15 percent cut, it would just have to do it. He thought the Board should look at that now instead of later. He did not think that this was terribly pessimistic, given the current situation.

Mr. Dubick disagreed, saying that he did not think LTD was looking at no growth in the economy or payroll tax, and that the 14.2 percent service cut scenario assumed that the economy would come to a screeching halt.

Mr. Evans said that if, as Mr. Wong had said, the local area lagged behind the rest of the country in the recession, the local area could get a whiplash effect. He agreed with Mr. Kortge in thinking that the Board should look at 14.2 percent in cuts, and possibly not making them all at one time. He wanted to look at a staggered approach to implementing cuts, if possible.

Mr. Kortge thought that LTD should let the ridership know what the Board was reviewing, and that the wild card was the cost of diesel.

Mr. Evans thought that LTD needed to educate the public, as through a citizen advisory committee. He said that LTD needed a grassroots effort so the public would demand federal government aid for transit operations and at a state level, as well, because the federal government wanted to push everything to the local level. He thought LTD needed to look at how the District interacted with its ridership, which was a strong constituency group of transit-dependent riders, veterans, the elderly, and others, who could speak on LTD's behalf.

Mr. Wong wondered if the Board would want to direct staff to come back to the Board with a 15 percent cut, in priority order. As LTD got closer to implementation, the Board would know more about fuel prices, etc., and could back off from the entire decrease if possible.

Mr. Dubick said that he wanted to see a human face on that figure before the Board got too far down the road with service cuts. He said that the Board needed to keep an open mind about how much it was willing to cut service before giving the go-ahead.

Speaking about the percentage of service cuts, Mr. Necker said that he would want to see which ones were acceptable and which were not.

Mr. Dubick suggested taking this to the City and County public sector partners as part of the District's appeal to them to come up with alternate funding sources.

Mr. Necker wondered about receiving payroll tax revenue from the City and the County. Ms. Hellekson said that in that case LTD also would have to pay the tax. Mr. Pangborn said that LTD would gain in this scenario, and that this was one of the strategies LTD could talk to its partners about. He said that it would affect special districts and other local cities. The District would need to sit down with them with the 15 percent service cuts and discuss the alternatives.

Mr. Eyster said it seemed that for months the District had been saying that it needed to make clear to the public what dilemmas the District was facing.

Mr. Evans stated that LTD needed a coalition that included partners in the environmental movement and people talking about sustainability, not just the City and County. He thought the Board needed to work across a broad scope of the community on a transit fee or SDC charge, as well as the payroll tax. He thought that was one of the least intrusive revenue generators LTD could look at. He said it was long overdue because LTD was a public utility and needed to say so and be willing to work on that.

Returning to the service discussion, Mr. Vobora said that the Board could approach the cuts from a phased approach. However, if the reductions were made little by little, there would be no printing and advertising time, and the results of the previous cuts would not yet be known. He said that staff would prefer to make the cuts all at one time. He thought it would be more traumatic to do a little every four months.

Mr. Necker said that then people would have the opinion that LTD was always cutting back. Ms. Hellekson said that staff had talked with the federal auditors about this and heard that other properties were facing the same issues. The auditors were adamant that LTD needed a long lead time to communicate effectively with the public.

Mr. Wong asked if LTD had a minimum capital reserve and any outstanding bonds. Ms. Hellekson replied “no” to both. Mr. Wong thought it was important to have a policy on minimum working capital in the Capital Projects Fund.

Mr. Pangborn summarized that the general consensus from the Board seemed to be to develop cuts of 15 percent, in priority order.

Mr. Dubick was still concerned about the effect on people, such as what it meant to have routes completely gone or only one-hour service. He thought that these changes might result in a major change in the way LTD did business.

Mr. Kortge brought up charging for EmX service. Mr. Pangborn stated that this was coming.

Mr. Necker stated that the Board had not yet decided on 15 percent. He said it would be important to bring a list of service cuts and see what percentage they would result in. Mr. Vobora said that in the next six to seven weeks staff would be communicating the magnitude of the issue.

Mr. Kortge said that if the number was to be 15 percent, he would like to see what would happen if the Board added back in the capital contribution. Mr. Vobora said that this would be another 5 percent. Mr. Pangborn added that it cost about $200,000 per percent of service.

Mr. Eyster asked if staff had an input plan. Mr. Vobora said that staff would take advantage of as many opportunities as they could. They wanted general feedback, but also had to show a plan in order to receive specific feedback.

Mr. Wong guessed that with 20 percent cuts, LTD probably would have to redesign the whole system.

Mr. Evans wondered if the numbers would be ready by the July Metropolitan Policy Committee meeting. Mr. Vobora said that staff currently were working very hard on Olympic Trials service and fall service issues. He noted that former LTD Transit Planning Manager Paul Zvonkovic had been hired to work on a redesign, which he said probably was a different service structure. Staff would look at the system in terms of the existing structure and then as a redesign. He added that this would take some time.

Mr. Dubick thought there would have to be a major change in coverage. Mr. Pangborn used the example of cutting Sunday service entirely, saying that this would put about $1 million back in the budget. Mr. Evans spoke of his history as a transit-dependent child, and said that Sunday service was critical.

ADJOURNMENT – There was no further discussion, and the meeting was adjourned at 6:30 p.m.

Board Secretary

M:\WPDATA\BOARD\MINUTES\2008\BDMIN 06-09-08.doc