LANE TRANSIT DISTRICT BOARD OF DIRECTORS
SPECIAL MEETING/WORK SESSION

Friday, February 10, 2012

9:00 a.m. – 10:15 a.m. Work Session
11:00 a.m. – 12 noon Executive Session
12:00 p.m. – 3:30 p.m. Lunch/Work Session

PacificSource
110 International Way, Springfield

Public testimony will not be heard at this meeting.

Page No.

I. CALL TO ORDER

II. ROLL CALL

Necker _____ Evans _____ Dubick _____ Eyster ______

Gillespie ____ Kortge ____ Towery _____

Budget Committee Members Invited to Attend:

Peter Davidson Jon Hinds Dwight Collins Warren Wong Donald Nordin

Edward Gerdes Kay Metzger

III. WELCOME FROM BOARD PRESIDENT [Mike Eyster]

The following agenda items will begin at 9:00 a.m.

IV. WORK SESSION

A. Strategic Plan Update [Tom Schwetz] 2

The following agenda items will begin at 11:00 a.m.

V. EXECUTIVE (NON-PUBLIC) SESSION PURSUANT TO ORS 192.660(2)(d), to conduct deliberations with persons designated by the governing body to carry on labor negotiations 5

The following agenda items will begin at 12:00 p.m.

VI. WORK SESSION WITH LTD BOARD BUDGET COMMITTEE 6

A. West Eugene EmX Update [Tom Schwetz] 8

B. FY 2012-13 Budget Discussion [Diane Hellekson] 9

VII. ADJOURNMENT

The facility used for this meeting is wheelchair accessible. If you require any special physical or language accommodations, including alternative formats of printed materials, please contact LTD's Administration office as far in advance of the meeting as possible and no later than 48 hours prior to the meeting. To request these arrangements, please call 682-6100 (voice) or 7-1-1 (TTY, through Oregon Relay, for persons with hearing impairments).

AGENDA ITEM SUMMARY

DATE OF MEETING: February 10, 2012

ITEM TITLE: REVISING LTD'S STRATEGIC PLAN

PREPARED BY: Tom Schwetz, Director of Planning and Development

ACTION REQUESTED: None. Discussion only.

BACKGROUND:

As part of the development of the Long-Range Transit Plan, the LTD Board of Directors reviewed the Vision, Mission, Core Values, and Goals contained within LTD's *Road Map*. The *Road Map* guides the District's activities and programs by identifying short-term and long-term performance outcomes. The Board participated in a survey to shape the discussion of possible changes to the Vision statement. The Board then went through iterations of reviewing the content of the existing language. At that time, the Board tabled any action formally revising the existing Vision statement.

At the February 10 Board meeting, staff will review past work on the Vision, Mission Statement, Core Values, and Goals. The Board will then be asked to discuss these items for clarity and comprehensiveness in order to provide direction to staff, which will lead to an update of the current version of LTD's *Road Map*.

ATTACHMENT: Defining Mission, Vision, Values, and Goals

PROPOSED MOTION: None.

Defining Mission, Vision, Values, and Goals
(Definitions drawn from Peter Senge, *The Fifth Discipline*)

Mission – *"Whether you call it a mission or purpose, it represents the fundamental reason for the organization's existence. What are we here to do together?"*

Examples:
LTD:
LTD enhances the community's quality of life by:

- Delivering reliable, responsive, and accessible public transportation services
- Offering innovative services that reduce dependency on the automobile
- Providing progressive leadership for the community's transportation needs

Ann Arbor Transportation Authority:
"It is the mission of the Ann Arbor Transportation Authority to facilitate mobility by providing options for safe, efficient, and reliable transportation."

Vision – *"A vision is a picture of the future you seek to create, described in the present tense, as if it were happening now. A statement of 'our vision' shows where we want to go and what we will be like when we get there."*

Examples:
LTD:
"To provide the best public transportation services imaginable."

Ann Arbor Transportation Authority:
"The Ann Arbor Transportation Authority is an organization providing, managing, and facilitating the greatest range of high-quality transportation options throughout Washtenaw County. It is an organization that respects and values its customers and its employees. AATA maintains its position as a recognized leader in the public presentation industry by being a flexible organization utilizing innovative technology and practices for the benefit of its customers. Members of AATA interact and work together and with external stakeholders in a spirit of cooperation and with the highest professional standards in order to make the organization 'The Ride of Choice'."

Valley Regional Transit:
We envision a Valley Regional Transit with adequate and secure funding to support a regional public transportation system that meets the personal and business needs of treasure valley residents and supports a livable and healthy community.

Intercity Transit (Olympia, WA):
Our vision is to be a leading transit system in the country, recognized for our well trained, highly motivated, customer-focused, community-minded employees committed to enhancing the quality of life for all citizens of Thurston County.

Values – *"Values describe how we intend to operate, on a day-to-day basis, as we pursue our vision. Values are best expressed in terms of behavior: If we act as we should, what would an observer see us doing? How would we be thinking?"*

Examples:
LTD:
Work Together
We work, help, and communicate effectively with others in our workplace and in our community; and we treat all people with whom we come in contact with respect, courtesy, and dignity.
Take Initiative
We offer creative and workable solutions to present and future challenges and processes; we take opportunities to grow personally and professionally; and we encourage others to do the same.
Be Professional
We show pride in our appearance, attitude, actions, work, and in the quality of our equipment and facilities.
Practice Safety
We keep a safety awareness and act when necessary in order to maintain safe services, vehicles, equipment, facilities, and a safe work environment.

Goals – *Goals are "milestones we expect to reach before too long. Every shared vision effort needs not just a broad vision, but specific, realizable goals. Goals represent what people commit themselves to do in the short-run."*

Six long-term strategic goals have been established to serve as a basis in realizing the components of *The LTD Road Map*.

Examples:
LTD:
1. Deliver reliable public transportation service.
2. Develop innovative services that reduce dependency on the automobile.
3. Maintain LTD's fiscal integrity.
4. Provide leadership for the community's transportation needs.
5. Develop a supportive workplace that fosters the success of all employees by providing an environment that encourages strong working relationships and offers opportunities to learn and grow.
6. Instill in each employee an active awareness of Our Position, Our Personality, Our Promise, and Our Core Values in order to help ensure that these are part of LTD's everyday practices.

Q:\Reference\Board Packet\2010\05\Board Luncheon 5-25-10\Vision Value Definitions Attachment.docx

AGENDA ITEM SUMMARY

DATE OF MEETING: February 10, 2012

ITEM TITLE: EXECUTIVE (NON-PUBLIC) SESSION PURSUANT TO ORS 192.660(2)(d)

PREPARED BY: Mary Adams, Director of Human Resources and Risk Management, and Board Designee for Labor Negotiations

ACTION REQUESTED: None

ATTACHMENT: None

PROPOSED MOTION: I move that the Board meet in Executive Session pursuant to ORS 192.660(2)(d), to conduct deliberations with persons designated by the governing body to carry on labor negotiations.

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AGENDA ITEM SUMMARY

DATE OF MEETING: February 10, 2012

ITEM TITLE: WORK SESSION WITH LTD BOARD BUDGET COMMITTEE

PREPARED BY: Ron Kilcoyne, LTD General Manager

ACTION REQUESTED: None. Discussion only.

ATTACHMENTS: Work Session Agenda and Materials

PROPOSED MOTION: None.

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LTD BOARD OF DIRECTORS
AND BUDGET COMMITTEE WORK SESSION

Friday, February 10, 2012
12 noon to 3:30 p.m.

AGENDA

		Page No.
12 noon	Welcome – Board President Mike Eyster	
	Lunch Served	
12:15	West Eugene EmX Update – Tom Schwetz	8
	• Process Status – Tom Schwetz	
	• Presentation on Property Acquisition – Rick Duncan	
1:15	Break	
1:30	Current Year Budget Update – Diane Hellekson ***Objective: Provide direction on key assumptions to use in development of the FY 2012-13 Budget and the revised Long-Range Financial Plan.***	
	• Current Long-Range Financial Plan	
	• Year-to-Date Payroll Tax Receipts	
	• Year-to-Date Fuel Costs	
2:00	FY 2011-12 Long-Range Financial Plan (LRPF) Update – Diane Hellekson	
	• Capital Improvements Program	9
	• Service Level	10
	• Key Budget/LRFP Assumptions	
	▪ Payroll Tax	11
	▪ Federal, State and Local Revenue	13
	▪ Fare Changes	15
	▪ Personnel Services Cost	17
	▪ Pension Costs	18
	▪ Fuel Cost	19
	▪ Ride*Source* Cost	21
	▪ Materials and Services Costs	22
3:15	Summary and Review	
3:30	Adjournment	

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West Eugene EmX Extension Update
And Business and Property Impacts Report Summary

Background

Staff will provide a brief status update and anticipated timeline for the West Eugene EmX Extension (WEEE) project. Current progress on the Environmental Assessment (EA) is under review by the Federal Transit Administration (FTA). The EA; along with the status of project development, coordination with the Eugene City Council, and expected reaffirmation process by the Council and the Board will be discussed.

Rick Duncan of Duncan & Brown Real Estate Analysts will provide the Board with an overview of the firm's recently completed technical report on the business and property impacts of the WEEE project Locally Preferred Alternative design. The report was completed in order to provide the FTA, LTD, and the community with a detailed independent analysis of the potential effects that the project could have on individual properties and businesses subject to property acquisition, parking, or driveway access issues. The report provides the basis for information to be provided in the project's EA regarding business and property impacts and mitigation. The presentation will provide a summary of the type and quantity of acquisitions that would be required by the project, as well as the report's conclusions on the relative level of impact to individual properties affected and recommended mitigation.

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Capital Improvements Program

Background
The Capital Improvements Program (CIP) is LTD's program of projects funded with federal, state, and local funding and is reviewed and revised annually. Staff are currently drafting a CIP that will be reviewed with the LTD Board of Directors and the public. Following is the proposed schedule for development and approval of a 2013-20 CIP:

February 1-28:	Develop a draft Capital Improvements Program.
March 1:	Post the draft FY 2013-20 Capital Improvements Program on the LTD website.
March 1:	Open a public comment period to seek public input on the draft plan.
March 21:	Hold a public hearing during the LTD Board of Directors meeting.
March 31:	Close the comment period at 5:00 p.m.
April 12-13:	Distribute comments received to LTD Board members with April Board meeting packet.
April 18:	Seek approval from the LTD Board of Directors of the draft (as amended) FY 2013-20 Lane Transit District Capital Improvements Program.

The CIP data is used in the Long-Range Financial Plan as to the use of grant funding for the General Fund (like preventive maintenance) and for the amount of transfer from the General Fund that is required to meet the local match requirement for grant funded capital projects.

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Service Level

Issue
What level of bus service should be maintained in order to create a sustainable level of operations?

Background
Following a restructuring of routes and a reduction of service levels in 2010-11, LTD has been able to maintain system operations at a high level. Overloads, which have been problematic for Lane Community College riders, are being managed; and both short- and long-term changes are being discussed with LCC representatives. While University of Oregon-bound riders have experienced full buses, no additions have been requested by the Associated Students of the University of Oregon representatives. Situational overloads continue to occur throughout the system. Some overloads occur with regularity; however, these have been deemed acceptable due to the level of service frequency along the route. Other overloads occur throughout the system but do not appear with any regularity. Service restructuring in Springfield coincided with EmX implementation in January 2011; and, based upon ridership analysis, appears to be serving customers adequately.

System-wide ridership continues to trend upward as October posted a robust 3.5 percent increase and was followed by a record November increase of 6.5 percent. Year-to-date boardings have increased more than 2 percent. Demand for service remains high during peak travel periods, and a number of adjustments will be implemented winter bid in response to schedules that are no longer able to meet published running times. Total service hours will increase approximately .28 percent.

The annual route review will only include minor adjustments to service. Some targeted trips will be eliminated based on ridership analysis that has shown a reduction of boardings at school bell times. These trips were developed to address ridership increases that resulted from the Student Transit Pass Program.

Options
1. Assume continuation of current service levels with annual increases to address running time issues.
2. Assume a reinvestment of the service hours saved from trips proposed for elimination.
3. Assume service reductions are needed to realize a balanced operational budget for FY 2012-13.

Staff Recommendation
Staff recommend that Option 1 is adopted and assumed in the Long-Range Financial Plan.

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Payroll Tax

Issue
How much revenue should be assumed from the payroll tax in FY 2012-13 and in subsequent years?

Background
The payroll tax is LTD's primary source of operating funds, accounting for approximately 75 percent of operating revenue. Thus, assumptions for income from the payroll tax are paramount in determining the District's budget. A relatively small change in the growth rate for the tax can have a major impact on the budget.

The maximum rate for the payroll tax is set by the state legislature. In 2003 the legislature approved an increase in the maximum rate from 0.6 percent to 0.7 percent to be implemented incrementally over a ten-year period starting in 2004. LTD is currently implementing the increase, with the rate having increased to 0.68 percent on January1, 2012, and by 0.01 percent every year thereafter, until reaching the 0.7 percent rate in January 2014. The 2009 Legislature approved a change to the payroll tax growth provision by allowing the rate to increase to 0.8 percent over ten years. This increase requires action by the LTD Board of Directors, and that action only can be taken after the Board adopts a finding that the local economy has improved sufficiently to warrant the increase. In addition, the increase must be implemented over a ten-year period, and the increase in any one year can be no greater than .0002. The earliest the Board could have approved an increase would have been January 1, 2011, which would have required action by early fall of 2010.

Historically, the payroll tax has increased at about 6 percent per year; however, there can be significant fluctuations from this average depending on economic conditions. We are still recovering slowly from a significant economic downturn; nevertheless, payroll taxes are expected to come in at budget for this fiscal year. Local unemployment has improved but still remains high, and relatively few jobs have been added since the recession ended. It is likely that the number of jobs that existed in 2007 will not be restored until 2014 at the earliest and possibly not until 2015.

Last year at the strategic planning work session, the recommendation for growth in the payroll tax base assumption was 2 percent in FY 2011-12, and 3 percent, 4 percent, 5 percent in the subsequent years. The assumption was valid for the current fiscal year, which may mean that the assumptions for the subsequent years are valid as well. In order to prepare a revised Long-Range Financial Plan (the first year of which will become the template for the FY 2012-13 proposed budget), it is necessary to revisit the assumptions for both implementation of the payroll tax rate increase and the growth in the payroll tax base.

Options for Implementation of Payroll Tax Rate Increase to .008

1. Assume January 1, 2013, implementation (requires action in October 2012).
2. Assume January 1, 2014, implementation (requires action in October 2013).
3. Assume implementation of the tax rate increase in a year subsequent to 2014.
4. Assume no implementation of the payroll tax rate increase in the Long-Range Financial Plan.

Staff Recommendation
Staff recommend Option 2.

Payroll Tax Receipt Options

1. Assume the payroll tax base will grow 3 percent, 4 percent, 5 percent, and 6 percent in the subsequent years.

2. Assume the payroll tax base will grow 3 percent, 4 percent in the next two years, and 5 percent in each of the subsequent years.

3. Assume the payroll tax base will grow 2 percent, 3 percent, and 4 percent in the next three years, and 5 percent in each of the subsequent years.

Staff Recommendation
Staff recommend Option 2.

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Federal, State, and Local Revenue

Issue

How much new operating revenue from federal, state, or local sources (not including payroll tax) should the District assume for FY 2012-13 and beyond?

Background

Federal Revenue Possibilities: The reauthorization of the Surface Transportation Bill has been delayed. Continuing resolutions have maintained funding levels at current levels. The longer term reauthorization is sitting between the houses of Congress. The Senate version maintains programs at levels that are fairly comparable to the SAFTEA-LU authorization, while the House version has dramatic changes in funding and where transit funding is listed in the federal budget. It is likely that continuing resolutions will again extend current funding streams and that reauthorization will not occur until the presidential and congressional elections are concluded and the new administration and Congress take office in 2013.

Discretionary federal funding continues to be directed through the Federal Transit Administration (FTA) and other agencies through competitive grant opportunities. Many of these opportunities focus on livability and keeping assets in a state of good repair. Lane Transit District was very successful in garnering a total of $11.3 million for replacement buses this past year and has secured $750,000 in alternatives analysis funding to begin evaluating EmX service along Main Street and McVay Highway. A recent award of $3.3 million for the District's next bus purchase was announced near the end of 2011. LTD will apply for additional bus replacement grants in the 2012 grant solicitation process. On the paratransit side, LTD was awarded just over $1 million to address the transportation needs of veterans.

State Revenue Possibilities:

- Flex Funds Program. This program was developed after the 2009 Legislative Session to allocate the $20 million of Surface Transportation Program funding for non-highway transportation that resulted from the 2009 Legislature. Funds are once again available. This is a competitive grant program with funding awards that can range from $50,000 to $2.1 million. Eligible projects include transit capital projects, preventive maintenance, and contracted ADA-complementary paratransit service (like Ride*Source*). In the first round, Lane Transit District applied for and received funding for the University of Oregon Station remodel. Applications for a bike feasibility study for $79,725 and a regional SmartTrips program for $342,596 under the Point2point program were requested during this current round of funding requests. Both of these applications have cleared the first round of review and are still in contention to receive funds.

- Business Energy Tax Credit (BETC). The Oregon Legislature allowed the original BETC program to sunset. The 2011 Legislature intended for this program to end, but instead, agreed to a new bill that created an "elimination glide path" for this funding source, which reduces it in the next four years, then eliminates it entirely in 2015. The bill also explicitly restricts the program's use for funding student pass and group pass programs. This restriction, along with the legislative intent to eliminate this source of funding, led LTD to decide not to apply for new funds under this program.

- Oregon Lottery Funds. The 2012 Legislature will have an opportunity to commit future lottery bonds. One possibility is for a dedicated set-aside for transportation needs through the ConnectOregon model. Representative Dave Hunt has proposed HB 4020 that will dedicate $10 million for ConnectOregon and will specifically identify $1.2 million for LTD's West Eugene EmX Extension. An alternative option is for the legislature to specifically fund this $1.2 million request through regular lottery bonds.

- Payroll Tax. The 2009 Legislature approved an increase from .007 to .008 in the maximum payroll tax rate that can be charged by LTD and TriMet. The increase requires action by the Boards of Directors, and that action only can be taken after each Board adopts a finding that the local economy has improved sufficiently to warrant the increase. In addition, the increase must be implemented over a ten-year period, and the increase in any one year can be no greater than .0002.

Local Revenue Possibilities: There are no current plans to consider new local transit revenue options. However, LTD has been allocated a portion of the Surface Transportation Program-Urban (STP-U) funds under the jurisdiction of the Metropolitan Planning Organization (MPO). This allocation is $500,000 per year for three years and began with FY 2010-11.

Options/Recommendations

Federal*:* Given the uncertainties in Congress, staff recommend assuming that there will not be a new Surface Transportation bill; therefore, formula funds will remain constant in Fiscal Year 2012-13. Staff recommend assuming a 10 percent reduction in Fiscal Year 2013-14 and that this new amount would then grow at a rate of 2.5 percent per year. Staff also recommend assuming no new discretionary funding for operations.

State: Staff recommend budgeting an additional $800,000 in transfer from the General Fund to cover the loss of state general funds and a 10 percent increase per year thereafter

Local: Staff recommend assuming only $1.5 million in STP-U funding.

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Fare Pricing

Issue
What level of fare pricing should the District set for FY 2012-13?

Background
The District's fare policy states, "When considering changes to the fare, the Board will consider:"

- The effects of the change on Title VI populations
- The inflation rate
- Ridership and revenue trends
- Local economic trends
- Trends in automobile-related costs, such as gas
- Service changes
- Economic impact on customers
- Market conditions and opportunities
- The District's financial situation
- The District's goals and objectives

The most significant of these criteria is the required Title VI analysis, which looks at the effects of a fare change on minority and low-income riders. This analysis cannot be completed until the results of the Origin and Destination Rider Survey are available, which are expected in late December or early January. Fuel prices remain high, which affects LTD costs while also making the bus more attractive to cost-conscious commuters. The local economy remains stagnant, and there are greater pressures on the budgets of LTD riders. Service changes include minor modifications to address running time only. The District's financial situation remains tenuous as costs for labor continue to increase.

The Long-Range Financial Plan assumes passenger fares will drop slightly in the current year and then grow by 5 percent based on historical trends. The current year estimate assumes the loss of the Student Transit Pass Program (STPP) revenue, which will be somewhat offset by the sale of youth fares and by some schools opting into the regular group pass program. Early indications show that student fare revenue will meet or exceed the budget projections. Farebox revenue is up 5.3 percent year-to-date. Total fare revenue is down 7.5 percent during this same period, which is likely a reflection of the loss in STPP revenue.

The District's fare policy continues to support rotating fare price increases, which means that the District should evaluate a cash fare increase for 2012. The last cash fare increase occurred in 2008 when adult prices increased from $1.25 to $1.50. An increase to $1.75 translates into a 16.7 percent increase or just over 4 percent annually. The Portland consumer price index increased 0.2 percent to 3.8 percent (or an average of 1.6 percent) during the past four years. An increase smaller than 25 cents also is feasible and is a strategy that a number of other districts have implemented in recent years.

A change in cash fares also affects day pass pricing, which is currently calculated at two times the cash fare. An increase in the adult cash fare also provides the opportunity to evaluate an increase in the Ride*Source* fare. The Accessible Transportation Committee has traditionally been very supportive of maintaining the Ride*Source* fare at the Americans with Disabilities Act limit of two times the adult cash fare. If the District were to increase the adult cash fare by 25 cents and make commensurate changes in the day pass and Ride*Source* prices, day passes and Ride*Source* fares would increase to $3.50.

Group pass pricing changes are traditionally made annually; however, the Board has, in response to the economic downturn, chosen not to increase prices during the past three years. An increase in the rate would not affect current participants until contracts are renewed in January 2013. Rates stand at $4.57 per participant per month (taxpayer rate) and $5.32 per participant per month (non-taxpayer rate). The group pass policy allows the Board flexibility in setting prices and provides the following language to guide the Board's discussion: "The base rate will be increased annually, not to exceed the three-year rolling average of LTD cost increases." LTD's three-year rolling average is 5.8 percent, which would set the upper limit of an increase at $4.84 (taxpayer rate) and $5.63 (non-taxpayer rate). Companies continue to opt in and out of the program based upon their own financial circumstances and the use of the program by their employees. The loss of the Business Energy Tax Credit program does not appear to have had a negative impact on whether businesses continue to participate in the group pass program. An increase in the price will cause some businesses to reevaluate their participation.

While the fare policy would point toward an increase in cash fares be considered, the District might consider a change in pass pricing. Passes are currently priced 20 percent below the daily price for riding the bus 20 days per month. The 3-month pass is priced 25 percent below the daily price for riding 20 days per month. A $2 increase, to $50, in the monthly pass rate and a $6 increase in the 3-month pass rate would reduce the discounts to 17 percent and 24 percent, respectively. This monthly pass rate would maintain LTD's ranking among its peer group and keep the District below the median and average pass prices for the group.

Options

1. Make no changes to fares.
2. Increase cash fares by $.10 to $.25. This change would result in an increase in day pass prices and Ride*Source* fares.
3. Increase group pass rates by an inflationary factor of 1.75 percent.
4. Increase monthly adult pass prices by $2.00 and half-fare by $1.00; and 3-month passes by $6.00 and $3.00, respectively.
5. Increase cash fares by $.10 to $.25 cents, and associated day pass and RideSource prices, and group pass rates by 5.8 percent.

Staff Recommendation

Staff recommend Option 5.

Personnel Services Cost
(Wages and Insurance)

Issue
What should be assumed for personnel services cost?

Background
As Board members know, the contract with Amalgamated Transit Union 757 expired on June 30, 2011. The majority of LTD employees are represented by ATU. Bargaining continued into the fall of 2011 and moved to mediation in November 2011 and January 2012. No additional formal sessions are planned. However, conversations between LTD staff and union leaders continue on work rule issues. Neither side has declared impasse. Should one side or the other do so, a seven-day period would be initiated in which both sides would be required to submit final offers and the process would proceed to binding interest arbitration. Moving towards arbitration would not mean that the contract could not be settled outside of arbitration. Board members will be provided with an update on the bargaining process at a special executive session on February 10 at 11:00 a.m.

Until there is a new contract, the specifics of what will be required remain unknown. For purposes of drafting a revised Long-Range Financial Plan, a contingency amount has been estimated for what is an “amount to be determined” unfunded liability. This contingency estimate could be high if LTD is able to settle the contract on terms favorable to the District. It also could be too low if the estimate errs in the other direction. The executive session discussion will provide more information.

Options
To be determined.

Staff Recommendation
None at this time. It is expected that direction will be provided to staff as a result of the February 10 executive session and also the February 10 afternoon budget discussion.

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Pension Cost

Issue
What should be assumed in the Long-Range Financial Plan for the District's contribution to pension plans beginning July 1, 2012?

Background
LTD has two pension plans: one for union-represented employees and one for administrative employees. Both plans are recovering from the recent downturn of the financial market, and both plans have unfunded liabilities. In 2011 the Board's Human Resources and Finance committee spent considerable time reviewing alternative plan designs for the Salaried Pension Plan. The outcome was a proposal to the full Board for a new plan design that consisted of a defined contribution account and a voluntary matching account. This new plan was adopted by the Board for all employees hired after January 1, 2012. All employees hired before this date would remain in the old plan and the plan would be closed.

As a result of the defined benefit plan closure, actuaries at the Milliman firm have presented various options for future cost assumptions. The Board's Human Resources and Finance committees met in a joint meeting on January 24, 2012, to review the options. Both committees have recommended that the plan have a 20-year amortization period, and that a one-time reset of assets to the market value be done to offset the effect of the plan closure. Both actions are considered prudent pension plan management decisions. In addition, this combination of actions will give the District a more predictable dollar contribution payable over the 20 years, starting with FY 2012-13.

Options
1. Make no changes in the current assumptions and asset valuations, resulting in a variable District contribution level that will be 23.7 percent of payroll in FY 2012-13.
2. Change the assumptions to include a 20-year amortization window and do a one-time reset to the market value of the assets, resulting in a stable new District contribution of 23.5 percent of payroll.

Staff Recommendation
As the result of direction provided by the Board Human Resources and Finance committees, staff recommend Option 2.

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Fuel Cost Assumptions

Issue
What should LTD assume for the price of diesel fuel in FY 2012-13 and in subsequent years?

Background
In 1999 the price of oil hovered around $16 a barrel. On January 2, 2008, the cost per barrel reached $100. In July 2008 it reached a peak of $147 a barrel. In the months that followed and as fears of a global recession grew, prices plunged to the $50 a barrel range--a roller coaster ride that left both producers and consumers confused. On April 29, 2011, the cost per barrel was nearly $114, the highest since August 2008. Prices were higher in 2011 than they were in 2010, but still lower than projected. Currently the price of crude is hovering around the $95 mark (moving between $82 and $110 for the year; spiking at the $114 mark). However, there still is speculation concerning increasing oil demands, unrest in the Middle East, and improving world economies during 2012. This could quickly exhaust current inventory supplies and potentially drive up the price of crude.

The FY 2011-12 Budget assumed that diesel fuel would cost an average of $3.75 per gallon during the year. The actual Oil Price Information Service (OPIS) fuel costs from June 30, 2011, through January 31, 2012, have been:

- Start of Fiscal Year: July 01, 2011 -------------------------------------- $3.05 per gallon
- Highest: November 14, 2011: -- $3.38 per gallon
- Lowest: December 16, 2011: --- $2.88 per gallon
- As of January 31, 2012: -- $3.16 per gallon
- LTD Fuel Average for July 1, 2011, through January 31, 2012 --- $3.18 per gallon
- Oregon 5 percent biofuel mandate – effective April 1, 2011:
  additional cost per gallon -- + $.02 - $.04 per gallon
- Bulk Fuel - storage Coos Bay Site (780,000 gallon capacity)
  as of January 31, 2012: 298,500 gallons

Ninety dollars ($90) per barrel equates to approximately $2.55 per gallon for diesel fuel (without taxes). The majority of oil experts are predicting the price of crude to move between the $95 - $110 ranges during 2012. LTD's price per gallon average for the current year is approximately $3.18. The average OPIS Rack price for the same period was $3.16. Accounting for the Oregon 5 percent biofuel mandate (triggered when biofuel plants were capable of producing 15 million gallons annually), and using the high end of forecasts for fuel pricing for the remainder of this fiscal year and the next fiscal year, the average price per gallon for the year could climb to around $3.50. During FY 2012-13, LTD is expected to use approximately 780,000 to 880,000 gallons of diesel fuel. The budget is affected by about $100,000 for each 10-cent increase or reduction in the average per gallon fuel price.

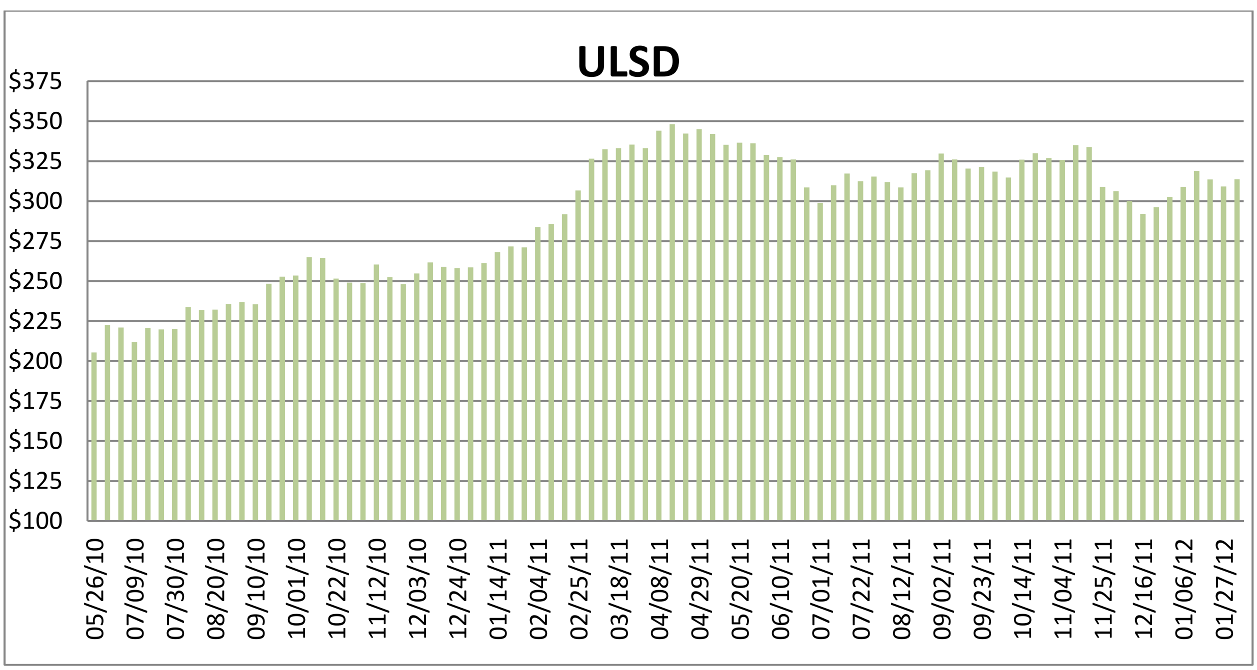
Options
1. Lower the current FY 2011/2012 budget estimate of $3.75 per gallon to $3.40 per gallon for FY 2011-12, and apply a 10 percent increase in FY 2012-13. This represents a 9.3 percent decrease from the $3.75 current LTD FY 2011-12 budget estimate, with a 10 percent increase in the next fiscal year. This action recognizes that circumstances could result in a slightly negative balance in this line item. When equitable, continue to buy fuel at the lowest cost possible for storage at the Coos Bay site.

2. Assume an average price of $3.75 per gallon for FY 2012-13, and apply a 5 percent increase each year in subsequent years. This represents a 10.3 percent increase from the $3.40 per gallon budgeted in FY 2011-12, with 5 percent increases in subsequent years. This is still a conservative estimate, recognizing that this should result in a positive balance in this line item. The 5 percent growth per year is also conservative, but supported by the fact that the starting point of $3.75 per gallon could well be the cost by the fiscal year end. When equitable, continue to buy fuel at the lowest cost possible for storage at the Coos Bay site.

3. Assume an average price of $4.00 per gallon for FY 2012-13, and apply a 6 percent increase each year in subsequent years. This represents a 17.7 percent increase from the $3.40 per gallon budgeted in FY 2011-12, with 6 percent increases in subsequent years. This is an estimate based on upward trends. The future year growth rate is increased somewhat to account for possible spikes in the FY 2012-13 price assumption, which would put the price of fuel at approximately $3.98. When equitable, continue to buy fuel at the lowest cost possible for storage at the Coos Bay site.

Staff Recommendation:
Staff recommend that Option 2 be assumed in the Long-Range Financial Plan. This is a conservative assumption and should ensure that there will not be a cost overrun in this line item.

Informational: Fuel Cost Averages Chart – Weeks of May 26, 2010 – February 2, 2012



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Paratransit Service Cost

Issue
What cost increases should be assumed for Ride*Source* ADA service?

Background
During 2010 demand for Ride*Source* Americans with Disabilities Act (ADA) services showed a steady increase, which continued into 2011. This trend is lower than in the previous year, but is projected to continue during the years ahead. A review of ridership shows in the most recent 12-month period (9/10-9/11) an increase of 4.8 percent, compared with the same period during the previous year (9/09 to 9/10), which shows a 9 percent increase. System vehicle miles have increased 2.1 percent during this time period (versus a 9.8 percent increase during FY 2009-10), and service hours have increased 5.8 percent (versus a 11.3 percent increase during FY 2009-10).

Fuel costs in FY 2010-11 were approximately 20 percent higher compared with FY 2009-10 ($513,806 versus $410,830). Wage and benefit costs were $3,202,410, which is an increase of 8.7 percent over the prior year.

In the recent past, the District had been able to reduce pressure on the General Fund by utilizing state grants. These grants allowed the District to save approximately $300,000 annually. While the state legislature continues to examine long-term funding for elderly and disabled transportation, no funding source has gained traction at this time. State budget shortfalls are likely to continue, which would mean that there would be no new funds for Ride*Source* service.

Options
1. Assume a modest growth rate of 5 percent annually. This assumption would be based on successful efforts to curb demand through more comprehensive ADA eligibility certification, shift paratransit trips to fixed-route, expand service integration efforts, implement the cost allocation model, and successfully utilize the brokerage model.
2. Assume the District maintains the current growth rate of approximately 10 percent annually based on more recent growth trends.
3. Assume an aggressive growth rate of 15 to 20 percent annually due to increases in the use of Ride*Source* services and increasing costs to provide these services offsetting the District's efforts to curb demand.

Staff Recommendation
Based on current trends and the relatively recent implementation of the Call Center Brokerage, staff recommend that Option 2 be assumed in the Long-Range Financial Plan projections.

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Materials and Services Costs

Issue
Are there additional opportunities to reduce materials and services expenditures in the FY 2012-13 proposed budget?

Background
In the past three years, staff have scoured all materials and services line items and analyzed opportunities for temporary and/or permanent savings. Most of the materials and services expenditures are not discretionary. The largest, for example, is fuel. The category also includes liability insurance; contracted security; other contracted professional services, such as legal and audit; and maintenance agreements for key operating systems. Discretionary materials and services include travel, training, and advertising, all of which are often critically important to the maintenance of skill sets and communication with stakeholders. Travel expenditures are controlled by a policy that covers all aspects of a trip.

Options
1. None at present.
2. Fuel purchase and storage should continue to be a future option.

Staff Recommendation
Materials and services expenditures should continue to be closely monitored and tightly controlled, but there are no opportunities apparent at this time to significantly reduce costs. Opportunities to buy and store fuel will continue to be considered. LTD purchased fuel for storage in the current fiscal year when the price dropped below $3.00 per gallon. Fuel is discussed separately in this packet.

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DUNCAN & BROWN
REAL ESTATE ANALYSTS

LTD EmX Property Impacts Analysis
Proposed West Eugene EmX Extension

Prepared By:
Duncan & Brown, LLC

February 2012

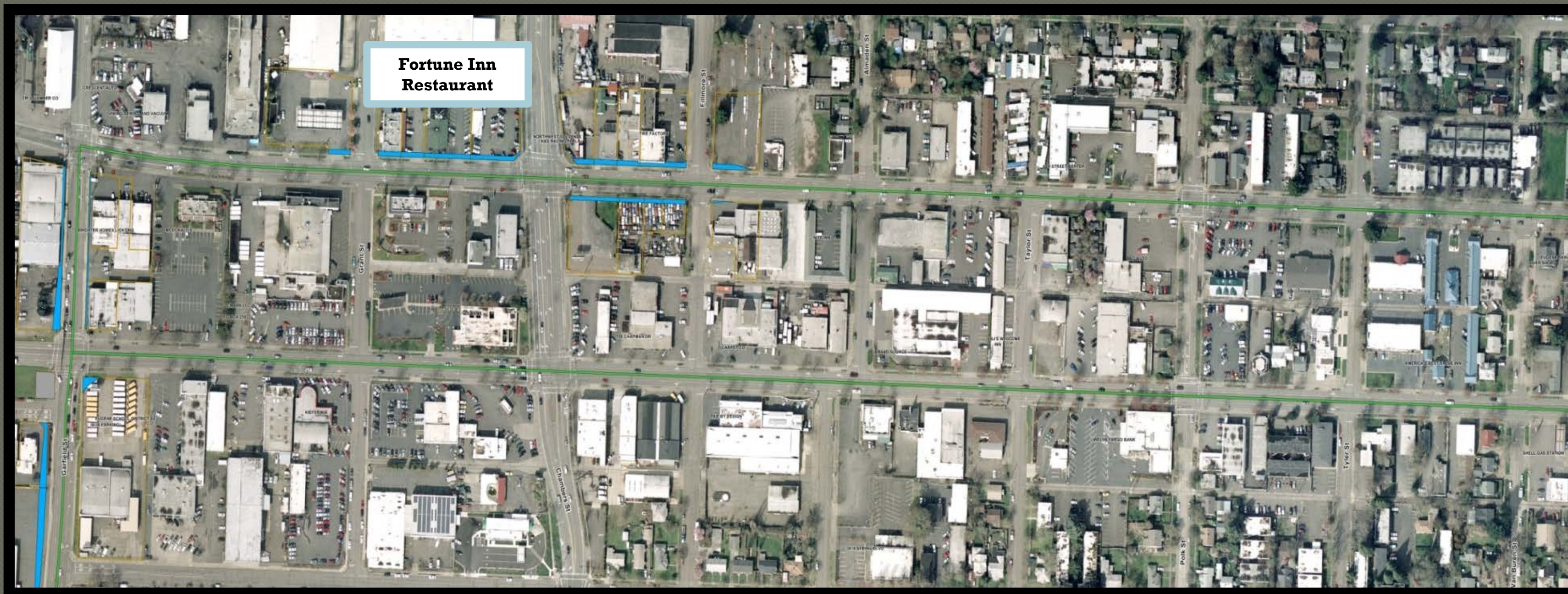
Project Overview

The Locally Preferred Alternative, or LPA, is the specific definition of the West Eugene EmX Extension Project that Lane Transit District (LTD) is proposing to construct.

6th & 7th Streets Route (East)

Conceptual Map October 2011
Proposed Property Acquisition as Currently Designed-LTD

6th & 7th Street Route(West)



Conceptual Map October 2011
Proposed Property Acquisition as Currently Designed-LTD

Garfield Route

Conceptual Map October 2011
Proposed Property Acquisition as Currently Designed-LTD

Garfield to West 11th

Conceptual Map October 2011
Proposed Property Acquisition as Currently Designed-LTD

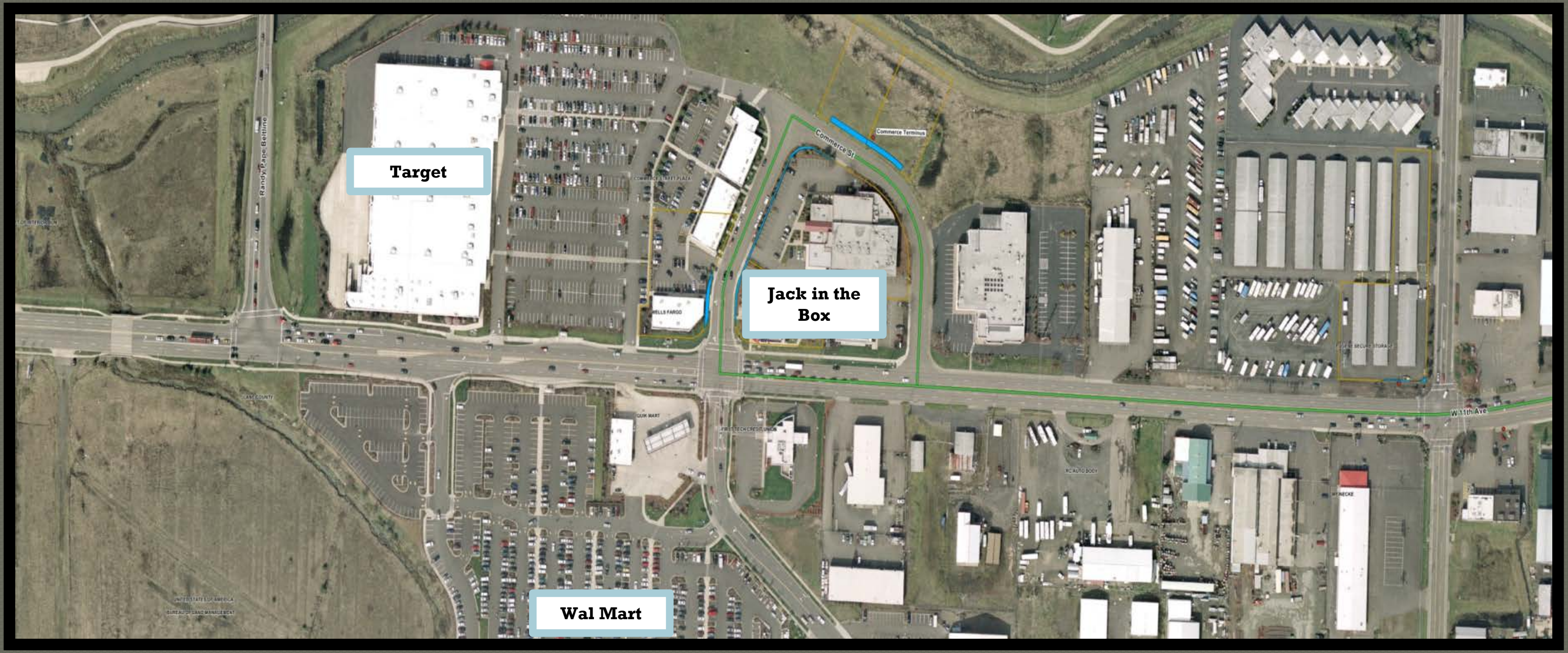
West 11th to Bailey Hill

Conceptual Map October 2011
Proposed Property Acquisition as Currently Designed-LTD

Far West 11th Route

Conceptual Map October 2011
Proposed Property Acquisition as Currently Designed-LTD

West 11th to Commerce Street



Conceptual Map October 2011
Proposed Property Acquisition as Currently Designed-LTD

Duncan & Brown Scope of Work

Provide **<u>a general property description</u>** of each of the properties identified by LTD. Inspections from public right-of-way only and information from Lane County records;

Review the provided acquisition maps;

Identify any potential land use or code issues, existing property constraints, or potential direct property effects as a result of the proposed project;

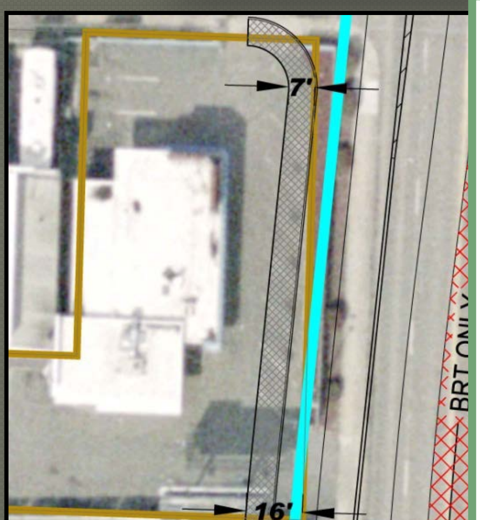
Identify any potential property/business effects (both direct and indirect);

Recommend mitigation strategies to minimize effects on properties, where possible.

Most Impacted Properties

ADULT SHOP
720 GARFIELD STREET

ISSUES
-Parking
-Billboard
-Access



Mitigation
-Modify Building
-Modify Sidewalk
-Relocate Billboard

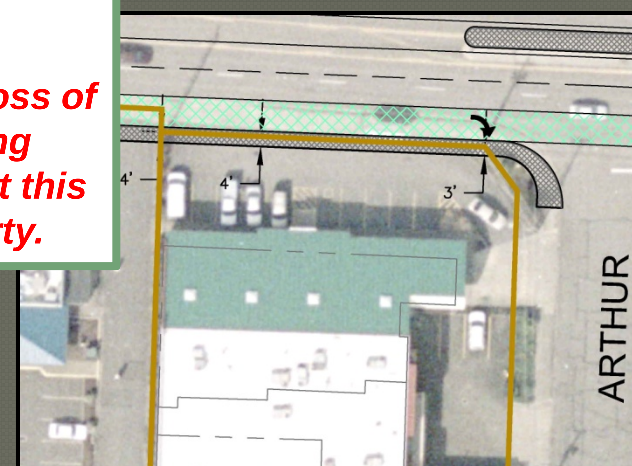
****Will still be loss of 7 parking spaces at this property.***

KING'S ASIAN MARKET
2100 WEST 11TH AVENUE

ISSUES
-Parking

Mitigation
-Redesign Parking, W11th median strip

****Will be loss of parking spaces at this property.***



PARKING ISSUES

SUMMARY:

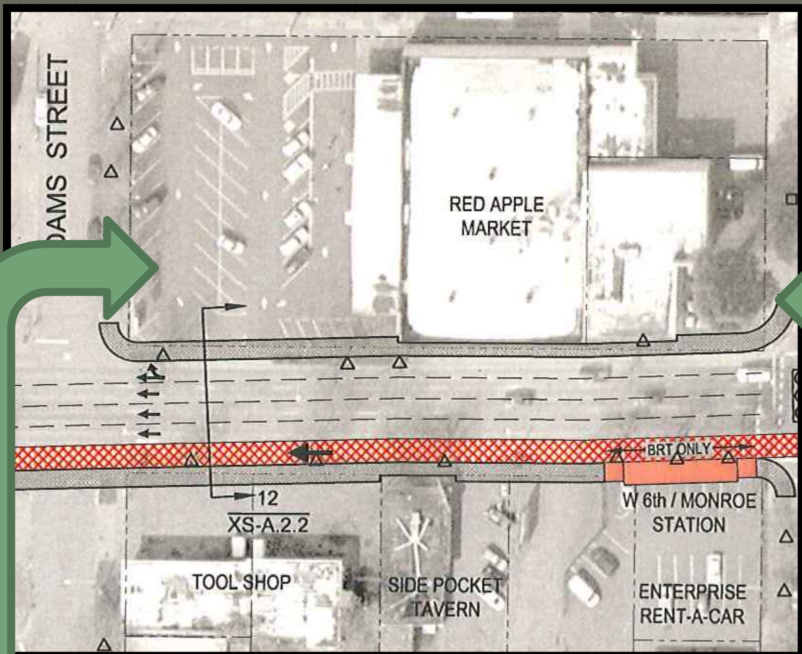
28 Properties were identified as sites which may have potential parking impacts. A total of 54-66 spaces would be impacted as a result of the acquisition. After proposed mitigation, only 20 spaces would be impacted.

PARKING MITIGATION STRATEGIES:

- Reconfigure/Restripe existing parking lot for no net loss
- Reduce sidewalk width to eliminate any parking impact
- Construct retaining wall to avoid additional impacts to parking (properties with slope issues)

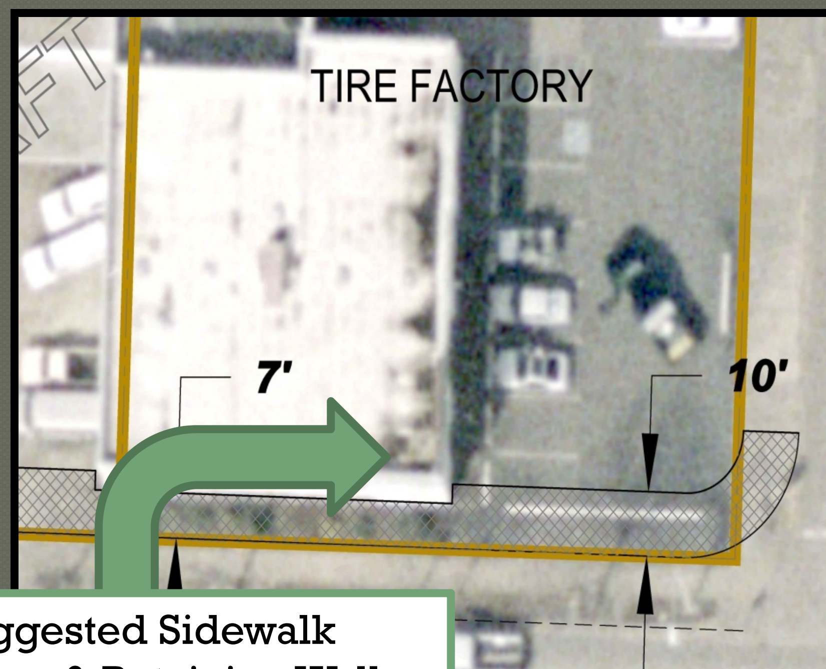
Of the **20 spaces** impacted, **13** are located within the two Most Impacted Properties (Adult Shop & King's Market).

PARKING EXAMPLES



Suggested Sidewalk Reduction & Reconfiguration

Suggested reconfiguration of striped parking & sidewalk reduction.



Suggested Sidewalk Reduction & Retaining Wall.+

Land Use & Code Compliance

Legal non-conforming uses typically refer to improvements which have been constructed on a site that has an underlying zoning that would not allow that use under current code. Non-conforming uses can have an impact on the financing of a property as well as the ability to re-build or expand the use, if desired.

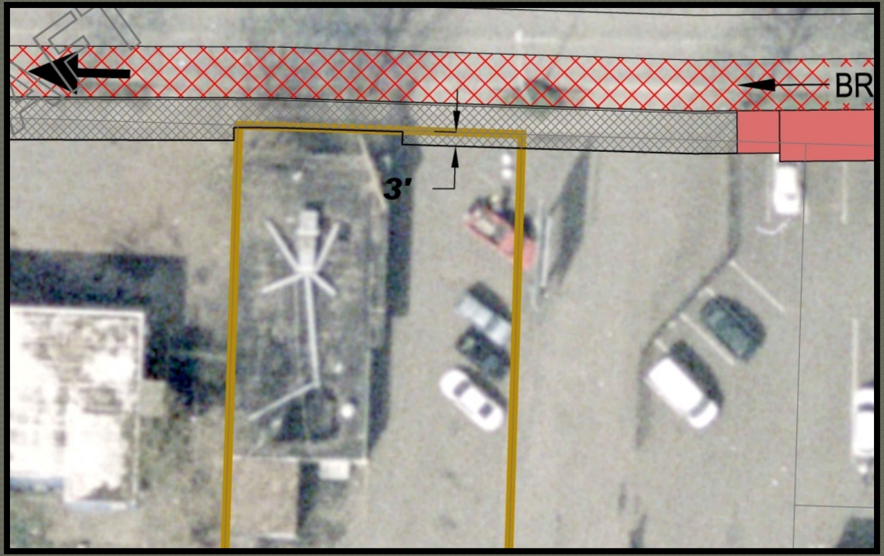
A **legal non-conforming situation** does not conflict with the allowable use of a property as dictated by the zoning, but rather, relates to development standards in that zone. In the case of a legal non-conforming situation, a property owner can rebuild to the same substandard development, if destroyed. A change in use would not trigger the property owner to adhere to any additional development standards as long as development standards for the new use are equal to, or less than, that of the existing use.

For example, retail and office uses have similar development standards and the change from one to the other would not trigger any land-use issues.

Eugene Planning & Mitigation

SIDEWALKS:

A number of the proposed mitigation strategies involve reduction of the proposed sidewalk width. The City will be flexible with regard to sidewalk widths at each of the properties. The standard sidewalk width along commercial corridors is between **7 and 10 feet** but can be reduced to a **minimum of 5 feet** and remain code compliant.



EXAMPLE: Side Pocket Tavern on West 6th Avenue

Eugene Planning & Mitigation

RETAINING WALLS:

No anticipated code compliance issues with retaining walls, with the exception of some height restrictions for safety rails or blocks.

Quick Summary

118 Properties (24.3% of total properties) affected by the proposed acquisition out of the 477 properties abutting the proposed project route.

•**273 ACRES** abut the proposed route. Only approximately **1%** of this total acreage is proposed for acquisition.

•**As a percentage of each property affected:**

•**TOTAL** acquisition area is approximately 2.5 acres of land from 118 separate properties.

•**Of the 118 properties analyzed by Duncan & Brown, less than 2% of the total acreage is proposed for acquisition.**

Acquisition Summary

118 Properties were analyzed along the proposed EmX line. **Below is a general summary of the proposed acquisition areas:**

- **14 Properties** reflect **0 physical acquisition** due to location of the ROW
- **13 Properties** are proposed for an acquisition **under 100 square feet.**
- **55 Properties** are proposed for an acquisition between **100 and 1,000 square feet.**
- **36 Properties** are proposed for an acquisition **over 1,000 square feet**, only **6 of which are over 3,000** square feet.

Impact Summary

•**2 Properties** were identified as having Major Property Impacts.

•**6 Properties** were identified as having potential impacts to the existing improvements as a result of the proposed acquisition. **Mitigation suggested for each impacted building.**

•**28 Properties** were identified as having potential parking impacts, for a loss of 54-66 spaces, reduced to a net loss of 20 spaces spread between 5 properties after mitigation.

•**8 Properties** have proposed access changes, including four full driveway closures.

•**5 Properties** were identified as having additional impacts such as billboards.

•**6 Properties** were identified as having slope issues which could be mitigated with construction of a retaining wall.