LANE TRANSIT DISTRICT BOARD OF DIRECTORS
STRATEGIC PLANNING SESSION

Friday, December 5, 2008
8:00 a.m. to 5:00 p.m.
PacificSource (110 International Way, Springfield)

Strategic Planning Session Objective: Provide direction to staff on assumptions to be used in the development of the FY 2009-10 budget and on longer range financial planning.

Agenda

8:00	Continental Breakfast	
8:15	Welcome and Agenda Overview– Mike Eyster/Mark Pangborn	
8:30	Assumptions for Key Budget Elements	**TAB # 1**
	• Service Level - Andy	Page 2
	• Paratransit Service - Andy	Page 3
	• Personnel –Mark P	Page 4
	• Pension - Mary	Page 5
	• Labor Contract - Mary	Page 6
	• Outsourcing - Diane	Pages 7 & 8
	• Customer Service Center – Mark J	Page 9
	• Materials and Services - Diane	Pages 10 & 11
	• Fuel Prices - George	Page 12
	• Legislative Revenue Possibilities - Stef	Page 13
	• Other Revenue Possibilities - Stef	Page 14
	• Federal Grant Funding for Maintenance - Todd	Pages 15 & 16
	• Payroll Tax Revenue - Diane	Pages 17 & 18
11:00	Long-Range Financial Plan *(handout at meeting)*	
11:45	Budget Scenarios	**TAB # 2**
	• Further Reductions	Page 19
	• “Add Backs”	Page 19
	• Decision Points (timeline)	Page 20
Noon	Lunch Discussion: West Eugene Collaborative	**TAB # 3** Pages 21-27
1:00	Board Deliberation/Direction to Staff	
3:00	Plan for Community Communication and Support/MPC Discussion	**TAB # 4** Pages 28-36
4:45	Wrap-Up	

Board E-mail Procedure

Issue

Given that Board e-mail related to the conduct of LTD business is subject to disclosure under public records law, should the policy for delivering Board e-mail be revised in an effort to minimize exposure of information stored on Board members' personal computers?

Background

Oregon public records law provides that every person has the right to inspect public records. A public record is "any writing that contains information relating to the conduct of the public's business…prepared, owned, used, or retained by a public body regardless of physical form or characteristics." A public record does not include any writing that does not relate to the conduct of the public's business and that is contained on a privately owned computer." Read together, these two provisions indicate that any e-mails or other LTD-related material sent to or kept on a Board member's private computer is a public record subject to inspection, while non-LTD-related material stored on a Board member's computer is not a public record.

The custodian of a public record, upon request, shall give the person making the request a copy of the public record or a reasonable opportunity to inspect the public record (ORS 192.440). It is not entirely clear under the public records law who makes the determination as to whether the person making the request is entitled to an inspection of the record or a copy of the record. Neither the courts nor the Attorney General have addressed this issue. According to LTD's attorneys, "Arguably a case could be made that under ORS 192.440, the person making the request is entitled to inspect the record itself, in which case, the person would be entitled to inspect the public record contained on the Board member's personal computer." At the very least, "in the event of a public records request, a Board member's use of a personal computer could create an inconvenience to the Board member."

In this instance, a request for Public Information Discovery would be carried out by an independent computer forensics consultant. The consultant will typically make an exact image copy of the computer in question and then examine that image for information relevant to the subject of the discovery. The investigative process could also require tracing of transactions between the computer in question and any external systems. This would most likely include Internet activity and all e-mail related exchanges.

Options

1. Board members conduct all LTD business on LTD's network using a terminal service client. A terminal service client enables the Board member's personal computer to act as an extended monitor, keyboard, and mouse on LTD's network. This method provides a controlled barrier between the Board member's personal computer and LTD's network, keeping public record content only on LTD's network.
2. Each Board member acquires a separate e-mail account at his/her home or place of business that is strictly dedicated to LTD business. A "separate account" policy would need to be adopted, and the procedure would need to be followed rigorously so that if litigation were pursued, an argument could be made

to the court that LTD information is contained only on the separate e-mail account. This option does not eliminate the exposure of a Board member's personal computer to a public information discovery inspection.

3. Continue the present District Board e-mail accounts; however, when e-mail arrives, the Board member is notified via telephone. If the Board member requests a review of the actual e-mail, a copy is hand delivered, mailed via USPS, or faxed to the Board member. After Board member review, disposition of the e-mail is carried out. No LTD-related e-mail passes between LTD and the Board member's personal computer. Hard copy material may be subject to other retention requirements.

Staff Recommendation

Staff recommend Option 1. This option creates the least amount of inconvenience for Board members when conducting LTD business in an electronic environment. It provides a definite separation of Board members' personal information from their public service responsibilities.

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Budget Scenarios

The staff recommendations and Long-Range Financial Plan as presented in this packet address the budget shortfall as currently envisioned. However, there are a number of unpredictable factors that could change the budget picture significantly. The economic downturn could create reductions in payroll tax revenue greater than anticipated. Conversely, there could be more revenue resulting from the state legislative session and/or the federal stimulus package. The following are possible actions that could be taken to address the following budget scenarios.

Additional Budget Reductions

If the budget shortfall is greater than the $4.1 million that is currently projected, or if the shortfall increases in future years, these actions could be taken:

- Further personnel reductions
- Additional transfer of federal formula funds
- Additional service reductions: Sunday service; evening service

"Add-Backs"

If the budget situation improves, either through faster than expected economic recovery or the infusion of new revenue, LTD will need to decide how to best allocate the additional funding. There seem to be three likely options:

- Add to operating reserves and rebuild the reserve account
- Add service
- Add to capital reserves to be used to match future capital grants, and/or add back capital projects which had been eliminated or deferred

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Budget Decisions Timeline

		2009											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Budget	FY 2009-10	Prepare			Budget Meetings		Adopt						
	FY 2010-11												
	FY 2011-12												
Leg	Legislative Session	2009 Session											
Payroll Tax	Quarterly Receipts												
	Payroll Tax Rate	0.65%											
	Legislative Proposal - Low	0.65%											
	Legislative Proposal - High	0.65%											
E & D $	Tobacco Tax - Low Option						Dec.						
	Tobacco Tax - High Option						Dec.						
Fed $	Possible Stimulus Package												
	Reauthorization	Deliberation									Start		
Cap	Capital Transfer to Ops	$1.2M						$1.0M					
	Labor Contract												
	Pension Plan Contribution												
Service	Fall 2009 Bid									Start			
	Winter 2010 Bid										Dec.		
	Fall 2010 Bid												
	Winter 2011 Bid												
Buses	EmX Buses							Delivery					
	Articulated Buses	Order											
	40' Replacement Buses												

		2010											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Budget	FY 2009-10												
	FY 2010-11	Prepare			Budget Meetings		Adopt						
	FY 2011-12												
Leg	Legislative Session	Poss Short Session											
Payroll Tax	Quarterly Receipts												
	Payroll Tax Rate	0.66%											
	Legislative Proposal - Low	0.70 % (Additional $4.5 M in revenue over a 4-year period)											
	Legislative Proposal - High	0.70%											
E & D $	Tobacco Tax - Low Option	Add 2.5 cents ($400,000/yr)											
	Tobacco Tax - High Option	Add 7 cents ($1.1M/yr) and additional 4 cents in 2012, 2014, and 2016											
Fed $	Possible Stimulus Package												
	Reauthorization												
Cap	Capital Transfer to Ops							$1.0M					
	Labor Contract			Bargaining				New Contract					
	Pension Plan Contribution	Actuarial Analysis						New Contribution Rate					
Service	Fall 2009 Bid												
	Winter 2010 Bid		Start										
	Fall 2010 Bid			Dec.						Start			
	Winter 2011 Bid										Dec.		
Buses	EmX Buses												
	Articulated Buses								Delivery				
	40' Replacement Buses												

		2011											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Budget	FY 2009-10												
	FY 2010-11												
	FY 2011-12	Prepare			Budget Meetings		Adopt						
Leg	Legislative Session	2011 Session											
Payroll Tax	Quarterly Receipts												
	Payroll Tax Rate	.67% (increase of .01% every year until reaches a maximum of .7%)											
	Legislative Proposal - Low												
	Legislative Proposal - High	.71% (increase of .01% every year until reaches a maximum of .8%)											
E & D $	Tobacco Tax - Low Option												
	Tobacco Tax - High Option												
Fed $	Possible Stimulus Package												
	Reauthorization												
Cap	Capital Transfer to Ops												
	Labor Contract												
	Pension Plan Contribution												
Service	Fall 2009 Bid												
	Winter 2010 Bid												
	Fall 2010 Bid												
	Winter 2011 Bid		Start										
Buses	EmX Buses												
	Articulated Buses												
	40' Replacement Buses	Order											

Service Level

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

Background
Due to timing requirements for public involvement and service planning, the issue of reducing bus service was handled in advance of other budgetary decision making.

Public involvement and information activities included:

- Information booths at community events
- Board member meetings in sub-districts
- Mailings to affected residents
- Mailings to community organizations
- Signage on bus stops, at stations, and on buses
- Articles in rider newsletters
- Public hearings

A target reduction of 15 percent of service hours was set in order to realize operational savings of between $3 million and $3.5 million. The direct savings from the final service reduction of 14.63 percent totaled $2.5 million. The remaining savings were reached through reductions in materials and services, personnel, and changes in the District's Capital Improvements Program.

Service reductions will be implemented in two parts beginning in February 2009 and concluding in September 2009.

Options

1. Assume service levels based on the 2009 reduced service package, and assume that no further service reductions will be required for 2009-10. Funding for service fixes and the addition of Gateway EmX service would be included in the Long-Range Financial Plan.
2. Assume additional service cuts are needed to realize a balanced operational budget for 2009-10.
3. Assume service additions based on state and federal funding becoming available and payroll tax revenues beginning to grow.

Staff Recommendation
Staff recommend that Option 1 is adopted and assumed in the Long-Range Financial Plan. This could be considered a realistic approach based on the package of budget changes the District is recommending and the budget trends that are emerging. If the budget situation worsens, additional service reduction would be considered for FY 2010-11.

Use of Federal Grant Funds for Maintenance

Issue
Should the District consider using $3.2 million of federal formula funds for maintenance during the next three years?

Background
Federal capital grants come in two basic types:

- Discretionary (5309) Grant Funds are competitively allocated throughout the country and are approved for specific (and typically large) projects. These funds are also called “earmark” funds. **Discretionary capital funds can only be used for the project for which they have been approved. They cannot be used for operations or other capital projects.** If the District chose not to pursue a project funded by a discretionary grant, it would not receive that grant money. The funding would be allocated to some other transit property elsewhere in the country. LTD projects funded with discretionary grants include EmX, the Glenwood facility, the Eugene and Springfield transit stations, and, on occasion, bus replacement.
- Formula (5307) Grant Funds. These funds are allocated annually by the federal government to transit districts around the country based on a formula that includes the population and transit ridership of a community. LTD receives about $4 million per year in formula funds. **Formula grant funds can be used for certain maintenance expenses**. For a number of years, LTD has used formula funds for bus tires and certain bus parts. The funds can also be used for up to 80 percent of all vehicle and facility maintenance costs. We can also use up to 10 percent of our formula funds on ADA complementary paratransit service.

Capital projects are scheduled in LTD’s Capital Improvement Program (CIP). The CIP currently allocates all of the federal discretionary funds and most of the formula funds for capital. Staff propose the elimination or delay of approximately $3.2 million of capital projects during the next three years that are scheduled to be funded with formula funds. This frees the formula funds to be used for vehicle maintenance, which in turn, allows the funds that would otherwise pay for vehicle maintenance to be used for other operating needs. The $3.2 million is proposed to be spent for maintenance over a three-year period (about $1 million per year).

Projects to be eliminated or delayed are:

- Real-Time Passenger Information: May be reconsidered in the future; Savings: $500,000.
- Fare System for EmX: Project scope reduced; Savings: $2.2 million. This project was originally envisioned to overhaul the complete fare collection system for LTD. The revised scope is limited to the installation of fare machines for EmX along both the Franklin and Gateway corridors.
- Miscellaneous Computer Hardware and Software: Items eliminated; Savings: $300,000.
- Miscellaneous Passenger Boarding Improvements: Items eliminated; Savings: $200,000.

Staff propose that at the end of the three years, all formula funds be used for critical capital needs, including the replacement of buses. That decision will be revisited annually based on the District's budget situation and capital needs.

Options

1. Do not use federal formula funds for maintenance.
2. Over the next three years transfer $3.2 million of federal formula funds to the General Fund to be used for vehicle maintenance.

Staff Recommendation

Staff recommend Option 2.

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Customer Service Center

Issue
What options are there for reducing costs at the Customer Service Center?

Background
The Customer Service Center has eight full-time customer service representatives (CSR) and operates six days a week for a total of 80 hours per week. The CSRs' primary responsibilities are to work at the counter providing information, selling fare instruments, and answering phone calls from customers. Staffing is spread out to provide maximum coverage with minimum staff. The work at the counter takes priority over the phone calls, resulting in a high rate of dropped calls. CSRs also work with social service agencies and make deliveries as needed.

Options

1. Reduce the Customer Service Center (CSC) hours from 80 per week to 55 per week. This change would have the CSC open from 7:00 a.m. to 6:00 p.m., Monday through Friday only. The CSC would be closed on Saturday and continue to be closed on Sunday. With this change, two CSR positions would be eliminated. The annual savings would be approximately $120,000. This option would provide a higher level of staffing during the hours that the center is open than is currently provided.

2. Reduce Customer Service Center hours by closing on Saturday and reducing hours during the week to 14 hours per day for a total of 70 hours per week. There would be one CSR position eliminated. The annual savings with this option would be approximately $60,000. This option would also provide a higher level of staffing during the hours that the center is open than is currently provided.

3. Keep current service levels and staffing in place. The CSC is open from 6:00 a.m. to 8:30 p.m. Monday through Friday, and 9:00 a.m. to 5:00 p.m. on Saturday. There is no savings in this scenario, but LTD would maintain a high degree of service and current hours at the CSC.

Staff Recommendation
Although it would mean laying off two very good employees, staff recommend Option 1 be assumed for next year's budget because of the continued downward trend in payroll taxes and the uncertainty of additional funding sources.

Lane Transit District
Schedule of Ending Working Capital Balances Under Various Scenarios

	FY 2008-09 Estimated Current Year	Year 1 Projected FY 2009-10	Year 2 Projected FY 2010-11	Year 3 Projected FY 2011-12	Year 4 Projected FY 2012-13	Year 5 Projected FY 2013-14	Year 6 Projected FY 2014-15	Year 7 Projected FY 2015-16	Year 8 Projected FY 2016-17
Ending Working Capital									
Optimistic View Rate of growth for Payroll Tax Related Revenues (0%,0%,3%,4%,5%,then 6% -- current rate increase)	5,323,550	6,913,740	7,175,780	5,256,990	3,353,050	1,957,010	135,990	(3,014,490)	(2,754,910)
Optimistic View with .007 rate beginning Jan 1, 2010 Rate of growth for Payroll Tax Related Revenues (0%,0%,3%,4%,5%,then 6% -- .007 at 2010)	5,323,550	7,347,230	9,263,380	8,633,810	7,628,790	6,701,290	4,995,110	1,966,360	2,354,970
Middle View Rate of growth for Payroll Tax Related Revenues (-2.8%,-1.5%,3%,4%,5%,then 6% -- current rate increase)	4,585,550	5,031,350	4,097,510	917,060	(2,330,550)	(5,171,030)	(8,539,050)	(13,329,350)	(14,807,980)
Middle View with .007 rate beginning Jan 1, 2010 Rate of growth for Payroll Tax Related Revenues (-2.8%,-1.5%,3%,4%,5%,then 6% -- .007 at 2010)	4,585,550	5,453,030	6,111,230	4,173,390	1,794,690	(588,910)	(3,838,550)	(8,503,360)	(9,848,970)
Pessimistic View Rate of growth for Payroll Tax Related Revenues (-4.8%,-1.5%,0%,0%, 3%,4%,5%,then 6% -- current rate increase)	4,058,450	3,977,150	1,717,660	(3,909,950)	(10,295,950)	(17,066,310)	(24,936,580)	(34,499,260)	(41,036,610)
Pessimistic View with .007 rate beginning Jan 1, 2010 Rate of growth for Payroll Tax Related Revenues (-4.8%,-1.5%,0%,0%,3%,4%,5%,then 6% -- .007 at 2010)	4,058,450	4,390,390	3,626,210	(899,320)	(6,549,310)	(12,971,310)	(20,798,490)	(30,315,500)	(36,804,440)

Fuel Price Assumptions

Issue
What should LTD assume for the price of diesel fuel in FY 2008-09 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. Prices are still far higher than they were a few years ago, but considerably lower than they were projected to be six months ago.

The FY 2008-09 budget assumes that diesel fuel will cost an average of $3.75 per gallon during the year. Actual fuel costs have been:

- Highest - July 7, 2008 - $4.20 per gallon
- Lowest – November 25, 2008 - $1.75 Per Gallon
- Average for the year as of November 10, 2008 - $3.17 per gallon

Sixty dollars ($60) per barrel equates to approximately $2.00 per gallon for diesel fuel, without taxes. The majority of oil experts are predicting the price of crude to settle in between the $65 to $75 range during the next year, which translates to a price per gallon of between $2.20 and $2.55. Using the high end of this range for fuel purchases for the remainder of the fiscal year, the average price for the year would be about $2.80.

In FY 2008-09, LTD is expected to use approximately 950,000 to 1,000,000 gallons of diesel fuel. This means that every 10 cent reduction of the average per gallon fuel price saves about $100,000. An average price of $2.80 would result in a positive budget variance of about $900,000 in the fuel line item.

Options

1. Retain the budget estimate of $3.75 per gallon for this year and an increase of 3 percent per year thereafter, recognizing that this will very likely result in a significant positive balance in this line item.
2. Assume a price of $3.00 per gallon with 3 percent increases in future years. This is a conservative estimate, which likely will result in a positive balance in this line item at the end of the year. The 3 percent growth per year is not conservative, but is supported by the fact that the starting point of $3.00 per gallon is likely to be higher than the actual cost by year end.
3. Assume a price of $2.80 per gallon with 5 percent increases in future years. This is a realistic estimate, based on current trends. The future year growth rate is increased somewhat to account for this lower FY 2008-09 price assumption, but may still be somewhat optimistic.

Staff Recommendation
Staff recommend that Option 3 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.

Labor Contract Costs

Issue:
What should be assumed for the increase in labor costs resulting from the next labor agreement?

Background:
The current labor agreement expires on June 30, 2010. The Long-Range Financial Plan (LRFP) assumes that labor costs will increase at the same rate with the new contract as they have with the current contract. This is approximately 5.5 percent per year.

Options

1. Assume that labor costs increase at the same rate with the new labor contract (current LRFP assumption)
2. Assume that labor costs increase at the higher rate with the new labor contract.
3. Assume that labor costs increase at the lower rate with the new labor contract.

Staff Recommendation
Staff recommend Option 1.

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Legislative Revenue Assumptions

Issue
How much new operating revenue, if any, should the District assume from actions of the 2009 State Legislative Session?

Background
The following transit funding options may be considered during the 2009 legislative session:

- Elderly and Disabled Transportation: The Governor recommends that the tobacco tax for elderly and disabled transportation, which is now 2 cents per pack, be increased by 2.5 cents per pack. The added tax is estimated to generate approximately $400,000 in additional annual revenue for LTD, beginning in 2010. Representative Terry Beyer is expected to introduce a bill that would increase the tobacco tax by 7 cents in 2009 and an additional 4 cents in 2011, 2013, and 2015. This proposal would generate an additional $1.1 million annually in 2010, and this annual amount would increase by approximately $650,000 biennially in 2012, 2014, and 2016.
- Payroll Tax: The Governor's transportation package includes a recommended increase in the maximum payroll tax that the District can charge to .008 ($8 per $1,000 of payroll). The current maximum, which can't be reached until 2014, is .007. Every .001 of payroll tax generates approximately $4 million per year. An option has been discussed to allow the tax rate to jump immediately to .007, rather than the phase in through 2014 as required by current law. This option, which could be pursued with or without an increase in the maximum rate, would generate approximately $4.5 million in added revenue over the next four years.
- Other Possible Revenue: The Governor's transportation package includes a possible parking space tax to support transit, and the allocation of $44 million in federal flexible funds for transit. The parking space tax is considered unlikely to be approved, and the federal funds would likely only be available for capital items.

Options

1. Assume no additional revenue from the 2009 Legislative session.
2. Assume that the payroll tax rate can be increased to .007 immediately. This would generate approximately $4.5 million in increased revenue over four years.
3. Assume that the payroll tax rate can be increased to .007 immediately and that there is a 2.5 cent increase in the tobacco tax. The payroll tax increase would generate $4.5 million over the next four years and the tobacco tax would generate an additional $400,000 per year starting in 2010.
4. Assume that the payroll tax rate can be increased to .007 immediately and that the tobacco tax is increased as proposed in Representative Beyer's bill (7, 4, 4, 4 cents over the next four legislative sessions). This would increase revenues by about $4.5 million over the next four years and by an additional $1.1 million in 2010 and by $650,000 per year in 2012, 2014, and 2016.

Staff Recommendation
Staff recommend that Option 2 be assumed in the Long-Range Financial Plan. This is a conservative assumption in that it does not include any increase in elderly and disabled transportation funding.

Materials and Services

Issue
In considering materials and services expenditures both in the current fiscal year and in future years, what are the priorities that will determine which items and services are maintained and which are candidates for reduction or elimination--either on a one-time basis or a long-term basis?

Background
LTD has $8,530,300 budgeted for materials and services in FY 2008-09, not including insurance. Of this total, $3,578,400 represents bus fuel; another $1,088,200 is for bus parts and tires. Other major items include $292,500 for computer hardware support, $364,400 for utilities, and $427,200 for facilities cleaning. Professional services appropriations total $1,140,950. Of this amount, about half is contracted security. The remainder represents outsourced legal services, audit services, lobbying services, armored car services, and specialty requirements outside of staff expertise. One of the priorities created in the recent past has been training, both internal, and to a lesser degree, external. There also are modest appropriations in support of a rewards and recognition program for all staff that has included individual awards and events for staff, retirees, and their families. Some of the training expenditures support the maintenance of required professional credentials, up-to-date technical skills, and awareness of changing state and federal regulations.

As part of the Leadership Council Work Session on October 16 and 17, staff reviewed all of the components of LTD's budget for materials and services by department and proposed the following priorities for maintaining activities and services:

- Vehicle maintenance and safety
- Asset preservation
- Training in support of required credentials, maintenance of required technical skills, and knowledge of applicable state and federal regulations
- Mandated professional services (such as the independent audit and banking services)
- Necessary professional services (such as specialized legal representation)
- General training
- Other services (such as marketing surveys; media development and placement; and supplies)

Options
In light of the expected decline in payroll tax receipts, LC members felt that there was no choice but to eliminate as many one-time expenditures as possible (in accordance with the priorities), consider reducing or eliminating recurring events and services in the short term, and consider alternative ways of doing business. Options include:

1. Reduction in security (reduced for FY 2008-09)
2. Reductions in non critical travel and training
3. Increases in outsourcing
4. Decreases in outsourcing
5. Cancellation of the FY 2008-09 employee awards banquet
6. Energy conservation
7. Other non personnel expenditure reductions

Staff Recommendation

As the result of the work done on October 16 and 17, staff recommend Options 2, 5, 6 and 7. Outsourcing is considered separately in the Assumptions for Key Budget Elements agenda section.

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DATE OF MEETING: January 8, 2009

ITEM TITLE: MPC Follow-up Discussion of LTD Budget Issues

PREPARED BY: LTD Staff

ACTION REQUESTED: Information and Discussion

BACKGROUND: This memorandum provides background information to facilitate a follow-up discussion regarding MPC's August 14 agenda item on the status of LTD's budget shortfall. Below is a summary of the issues and strategies that LTD will implement to address its budget issues. This is followed by an updated schedule for implementing service cuts and other milestone dates.

Overview

LTD ridership has been growing very quickly with gains of more than 35 percent during the last three years. In 2007-08 alone, total boardings grew by 17 percent, setting a record of 11.4 million boardings. However, fare revenue covers only 15 to 20 percent of the service costs. Primary funding sources, such as payroll tax revenues, are shrinking rapidly due to the economic downturn and business closures. LTD is struggling to address an anticipated $3.5 million budget shortfall. It is important to note that nationwide, transit agencies are dealing with similar budget issues with shortfalls for individual transit agencies in the $10 millions and $100 millions.

With no new sources of revenue, LTD will need to cut bus service in the fall of 2009 by 14.43 percent. This reduction is slightly more than the 13 percent reduction following the 2001 recession, but does not approach the more than 30 percent reduction that followed the recession of the late 1970's and early 1980's. The 2009 service reductions were adopted by the LTD Board at the November 19, 2008, meeting. The first attachment shows the locations of service cuts that reflect several months work of restructuring the system. This restructuring was based on feedback received from customers.

Summary of Public Outreach

As shown by the attached list of public outreach efforts (Attachment 1), LTD provided more than 88 opportunities (in the form of meetings and paid media publications) to provide more information and collect feedback on proposed service cuts. LTD Board members assisted by hosting 13 Board outreach meetings. Staff received helpful information from attendees at the Board outreach meetings and other meetings, such as the City Council work sessions and the County Human Services Committee meetings. By and large, communities have shown a lot of support for LTD services, assisted with developing creative solutions to difficult issues, and developed a greater understanding of the situation and proposed cuts.

Summary of 2009 Service Reduction

LTD relies on funding from a variety of sources. The primary source of funding for LTD service has been the business payroll tax, which means that job losses have significant implications for LTD funding. The degree of impacts from the loss of payroll tax receipts from recent business closures (such as Hynix) is still unknown. Shifts in funding sources translate to shifts in the supply of service. The 2009 service package accomplishes key mobility goals for the community:

1. Overall coverage was only slightly impacted. Working with LCOG staff, LTD service planners evaluated impacts on minority, elderly, disabled, and low income populations. Across all of these demographics, the 2009 system-wide coverage exceeds the current coverage. This is a system-wide view and, therefore, it should not be construed that impacts on neighborhoods and individual riders will not be significant.

2. Span of service has been maintained. Span is a measure of how early buses begin operating and how late the final departures leave the main stations.

3. Service continues to be offered seven days per week. Other systems have not been as fortunate. Following a failure at the ballot box for a property tax measure, Salem's Cherriots system will begin offering service only on weekdays.

4. Strong corridor frequency has been maintained. Evaluation of customer load factors along major travel corridors shows that planned 15 minute frequency during peak travel times should provide sufficient travel time choices for most customers. Customers facing overloads will need to alter their travel planning to adjust for these busy periods, and efforts will be made to shift some customer travel to off-peak periods when possible.

Lane Transit District service has rebounded following prior recessionary periods. In each case, the District has been able to expand service and grow ridership. Plans will be developed in preparation for the time resources are once again available for service expansion. These plans will include strengthening corridor service, evaluating prior neighborhood connections, and reaching out to new neighborhoods. In the interim, our region must look to alternatives. Commuter Solutions staff stands ready to assist residents who may find cycling, carpooling, and vanpooling alternatives attractive and viable.

Detailed information about each new route and schedule is under development. As Service Planning staff complete their work, updated information will be posted to the LTD website. Three express routes will be eliminated in February 2009, while the majority of changes will occur in September 2009. As the District nears implementation, many resources will be provided to assist customers in learning what connections will allow them to get to their destinations.

<u>Strategies to Reduce Expenses</u>

District staff recently developed a tiered approach to address the budget issues. Tier 1 strategies involve reductions in materials and supplies coupled with service reduction and route restructuring. Capital projects, such as installing “Next Bus” marquees at EmX stations, have also been dropped or pushed to future years. These Tier 1 strategies are expected to address LTD’s budget issues as currently understood. However, there is a great deal of uncertainty with respect to both expenses (fuel, RideSource service) and revenues (payroll tax receipts, legislative efforts).

Should additional cuts become necessary, a second tier of cuts would be considered. Tier 2 strategies involve a closer look at staff reductions and might include additional recommendations to be considered at the December 5 LTD Board Strategic Planning Session.

<u>Strategies to Build Revenue</u>

In July 2008, the LTD Board adopted fare increases to provide an immediate boost in revenues. An anticipated $3 million in operating reserves will be used for this fiscal year to continue operating at current service levels to allow for a planned reduction in services, beginning in January 2009.

In October 2008 the District also sought and obtained approval from MPC to amend the Metropolitan Transportation Improvement Program (MTIP) and transfer $2.2 million in Urbanized Area Formula Funds (5307) to be used for paratransit and preventative maintenance purposes. Federal regulations allow for 5307 funds to be used for these purposes. Another $1.0 million in 5307 formula funds is planned for transfer in 2009. The need for the District’s paratransit service (RideSource) is expected to increase in the coming years due to increasing demand from aging “Baby Boomer” customers despite the increase in operating costs.

In addition, LTD is pursuing funding options at both the state and federal level. These options are described in more detail below.

State Revenue Possibilities:

- Elderly and Disabled Transportation: The Governor recommends that the tobacco tax for elderly and disabled transportation, which is now 2 cents per pack, be increased by 2.5 cents per pack. The added tax is estimated to generate approximately $400,000 in additional annual revenue for LTD, beginning in 2010. Representative Terry Beyer is expected to introduce a bill that would increase the tobacco tax by 7 cents in 2009 and an additional 4 cents in 2011, 2013, and 2015. This proposal would generate an additional $1.1 million in 2010, and this annual amount would increase by approximately $650,000 biennially in 2012, 2014, and 2016.
- Payroll Tax: The Governor's transportation package includes a recommended increase in the maximum payroll tax that the District can charge to .008 ($8 per $1,000 of payroll). The current maximum, which can't be reached until 2014, is .007. Every .001 of payroll tax generates approximately $4 million per year. An option has been discussed to allow the tax rate to jump immediately to .007, rather than to phase in through 2014 as established in current law. This option, which could be pursued with or without an increase in the maximum rate, would generate approximately $4.5 million in added revenue over the next four years.
- Other Possible Revenue: The Governor's transportation package includes a possible parking space tax to support transit and the allocation of $44 million in federal flexible funds for transit. The parking space tax is considered unlikely to be approved, and the federal funds would likely only be available for capital items.

Federal Revenue Possibilities:

It is very likely that there will be a second federal stimulus package that will include transportation infrastructure investments and, possibly, transit operational funding. An earlier House version of the bill had included transit operating funds that would have provided approximately $2 million for LTD. It is expected that the stimulus bill will be approved very soon after the January 20, 2009, presidential inauguration.

The reauthorization of the federal surface transportation bill is expected to provide an increase in transit funding. There is potential for increased operational funding, either directly in the bill or in the form of increased formula funds that can be used for maintenance.

<u>Next Steps</u>

The schedule below outlines key dates and activities leading up to implementation of the service reductions in September 2009. Because of the importance of transit service to the community, LTD has taken a comprehensive approach to minimize the extent of the service reductions. The timing of possible state and federal revenue measures is not likely to be soon enough to avoid these reductions. The effect of additional revenue through these efforts will be to shorten the period of reduction.

FY 2009-10 LTD Service Reduction
Process and Schedule

2008

November 17	-	Board decision on service reductions
December 5	-	LTD Board Strategic Planning Work Session

2009

January 5	-	Legislative session starts
February 1	-	First phase of service reductions implemented. Express routes eliminated.
March 18	-	Board evaluates fare increases for FY 2009-10
April 29-30	-	Budget Committee Meetings
June 17	-	Board adopts FY 2009-10 budget
June 30	-	Legislative session ends
September 6	-	Second phase of service reductions implemented

ATTACHMENTS: Service Reductions Route Structure Map
2008 LTD Service Redesign Outreach Plan

Other Revenue Assumptions

Issue
How much new operating revenue, if any, should the District assume from federal or local sources, including increased fare revenue?

Background
Federal Revenue Possibilities:

- It is very likely that there will be a second federal stimulus package that will include transportation infrastructure investments and, possibly, transit operational funding. An earlier House version of the bill had included transit operating funds that would have provided approximately $2 million for LTD. It is expected that the stimulus bill will be approved very soon after the January 20, 2009 presidential inauguration.
- The reauthorization of the federal surface transportation bill is expected to provide an increase in transit funding. There is potential for increased operational funding, either directly in the bill or in the form of increased formula funds that can be used for maintenance.

Local Revenue Possibilities:

- Among the funding options presented to the Board at the June 9, 2008, work session were several local funding possibilities, including Systems Development Charges, a parking space charge, and a property tax. With the possible exception of the property tax, local revenue options did not appear to be realistic possibilities, at least in the short term.
- The Board considered, and ultimately rejected, putting a property tax measure on the ballot in November. This could be reconsidered in the future, although it would seem that even under the most optimistic scenario, this is unlikely to affect the budget shortfall in the near term.

Fare Revenue Possibilities:

- The District's Long-Range Financial Plan (LRFP) assumes that fare revenues will increase by 5 percent per year starting in 2010-11. This increase results from a combination of fare increases and ridership increases. It is certainly possible to increase fares more aggressively, although large fare increases in 2009 would follow hefty increases in 2008 and could result in diminishing revenue gains. There is also a concern that low-income riders would be most significantly impacted by additional fare increases. A realistic assumption would be that an aggressive fare increase could generate an additional $200,000 in FY 2009-10, above the increase the assumed in the LRFP.

Options

1. Assume no additional revenue is made available from the federal and local sources or from fares.
2. Assume that the federal stimulus bill provides $2 million in operating funds (one time allocation).
3. Assume that the federal stimulus bill provides $2 million in operating funds (one time allocation) and that there is an additional $200,000 in FY 2009-10 from fare increases.

Staff Recommendation
Staff recommend that Option 1 be assumed in the LRFP. While there is reason for optimism that federal funding will be increased, it is by no means certain. Staff have concerns with continued aggressive fare increases.

PROFESSIONAL SERVICES ANALY				
DEPARTMENT	**SERVICE**	**IN-HOUSE**	**OUTSOURCED**	**OUTSOURCING AVAILABLE?**
General Administration	District Management	X	X	Yes
	Government Relations	X	X	Yes
	Board Support	X	X	Yes/No
	Department Support	X		No
	Reception	X		No
	Community Coordination/Outreach	X		No
Finance	Administration	X		No
	Payroll	X		Yes
	Accounts Payable	X		Maybe
	Accounts Receivable	X		Maybe
	Farebox	X		Maybe
	Purchasing	X		No
	Budget	X		No
	Independent Audit/CAFR	X	X	Yes/No
	Grants	X		No
	Internal Audit/Tax Compliance	X		No/Maybe
Information Technology	Administration	X		No
	Systems Support	X	X	Maybe
	Application Development	X		Maybe
	Vehicle ITS Support	X	X	Hybrid
	Analysis	X		Maybe
	Community Systems Support	X		Maybe
	Service Support	X		Yes
	Technology Acquisition	X		Hybrid
Human Resources/Risk Mgt.	Administration	X		No
	Hiring	X		Yes
	Insurances		X	Yes
	Employee Programs	X		Yes
	Employee Events	X	X	Yes
	Employee Recognition	X		Yes
	Wages and Benefits	X	X	Yes
	Labor Relations	X	X	Yes
	Risk Management	X		Yes
	Regulatory Programs	X		Yes
	Org. Development/Training	X	X	Yes
Service Planning, Accessibilty, and Marketing	Administration	X		No
	Accessible Service	X	X	Yes
	General Project Support	X		No
	Research	X	X	Yes
	Fare Policy/Instruments	X		No
	Service Marketing	X	X	Yes
	Media Relations	X	X	Yes
	Bus Service Planning/Comm.	X		No
	Graphics	X		Maybe
	Community Relations	X		Maybe

	Special Event Service	X		Maybe
	Bus Advertising		X	Yes
Planning and Development	Administration	X		No
	Metro Planning	X		No
	Project Labor (including eng.)	X	X	Yes
	Capital Projects (WEEE)	X	X	Yes
	Commuter Solutions	X	X	Yes
Facilities Services	Administration	X	X	Yes
	Utilities (non Maintenance)		X	Yes
	Cleaning		X	Yes
	Maintenance	X	X	Yes
	Environmental		X	Yes
	Landscaping		X	Yes
	HVAC	X	X	Yes
	Capital Project Implementation	X	X	
Transit Operations	Administration	X		No
	Fixed-Route Service	X		Yes
	Customer Service Center	X		Yes
	Security		X	Yes
	Training	X		Maybe
Fleet Maintenance	Administration	X		No
	Parts	X	X	No
	Bus Labor	X	X	Yes
	Preventive Maintenance	X		No
	Bus Repairs	X		No
	Interior Cleaning	X		Yes
	Fueling and Washing	X		No
	Garbage		X	Yes
	Towels	X		Yes

SIS
COMMENT
Legal Services are outsourced; there are firms (such as First Transit) that provide management services.
The Government Relations Manager position was eliminated in 2006 with some duties assigned to the AGM and some to existing contracted services.
Minutes recording and some deliveries are outsourced; other functions impractical to outsource.
Outsourcing (ADP) tried in the past. Costs were much higher and accuracy was poor.
Grant tracking and federal compliance make payables complex and increase liability for errors.
Audit is outsourced by law. In-house CAFR production saves money.
No economic advantages
Use outside experts to supplement staff
Single source exposure limits support options
Vendor supports in-house POC/Technicans
Data export logisitcs tricky/ Step up internal security
Data sharing logisitcs add complexity
Previous research showed this option 2x higher cost
Preliminary research and options from outside experts
No economic advantage
It is less costly to do in house
We use our agent fully
Costs
We supplement inhouse with contractors to minimize costs
Able to make it more individual and less costly.
We sustain a basic level internally then supplement with external resources to handle high demand and minimize costs.
We use legal council on the negotiation team and for complex labor relations issues.
District vehicle liability is very specific and best handled by internal skills.
Regulators expect employer our size to manage regulator programs internally.
We use a combination of in-house and external trainers to minimize costs and maximize program quality.
Paratransit service is currently outsourced.
Major research is currently handled through contracts.
Agency is used for media placement and campaign development.
Consultants advise on an as-needed basis.
Some elements may be outsourced. Research is being conducted.

District could choose not to provide these services.
No general fund impact
No general fund impact
Project Management, Architectural services, engineering & other professional services
All cleaning is contracted except one position at the Eugene Station for day cleaning of the platform and restrooms.
Most labor is in-house due to the amount of work and the increse cost to outsource.
All landscape services are outsourced.
Majority of services are in-house starting in 09 to reduce cost.
Would be problmeatic with Union contract and Oregon Law.
Same issues as fixed route service.
Will maintain contracted security services.
Given that we have only one full time person in Training, it may not be cost effective or efficient to contract oprations training.
Manage parts in-house inventory that turn 3 times per year, rely on outside sources for costly, slow turnover, overstock.
Most labor performed in-house, Warranty repairs, major accident body repairs labor out-sourced.
Spare availabilty and turnaround time difficult.
Spare availabilty, turnaround time, occasional difficult, high labor, engine problems.
Interior bus cleaning done inside, very good quality and efficiency
Not practical, serviced daily plus farebox revenues 3 times per week (security concerns).
Outsourced bid contract in place.
Looking into including the towel purchases to be included with facility cleaning contract.

Outsourcing

Issue
To what degree is LTD appropriately outsourcing professional services in order to reduce costs?

Background
Outsourcing of some services can (and does) save money. LTD contracts for many services that are provided at lower cost than if staff were hired to perform the work. Examples include most security services, facilities cleaning, skilled trades, legal services, armored car transport services, and lobbying. Sometimes LTD has found through experience and/or cost benefit analysis that outsourcing is actually more expensive. For example, LTD outsourced payroll services to ADP several years ago. It was ultimately cheaper to buy good payroll software and transit operations tracking software and bring payroll production in-house. Similarly, LTD used to contract for some specialized facilities services skills. A cost benefit analysis demonstrated that it would cost less to reduce the contracted services and hire a facilities specialist.
As part of preparation for the December 5 work session, staff broke down all of the programs and services included in the General Fund and indicated which are in-house, which are outsourced, which could be outsourced, and provided brief explanatory comments. That analysis in its entirety follows this page. Not considered was contracting all service, which is done in some cities (for example, Las Vegas). However, as the Board knows, LTD does contract all of accessible services. Some properties provide these services directly (for example, Tri Met).

Options
1. Consider a cost benefit analysis to determine if any current in-house services could be outsourced at lower cost.
2. Consider a cost benefit analysis to determine if any currently outsources services could be brought in-house at lower cost.
3. Given the annual attention paid to outsourcing opportunities during the budget development process, continue to use the budget process to evaluate the most financially effective way to deliver essential services that meet district performance standards.

Staff Recommendation
Staff recommend Option 3. The decisions that resulted in the current mix of in-house and outsourced services were reasoned and the result of careful analysis. It is valuable to regularly revisit outsourcing (or in-sourcing) opportunities, and staff will continue to do so, but there does not appear to be any immediate cost savings opportunities in additional outsourcing at this time.

Payroll Tax Revenue

Issue
How much revenue should be assumed from the payroll tax in FY 2009-10 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 .6 percent to .7 percent to be implemented incrementally over a ten year period, starting in 2004. LTD is currently implementing the increase, with the rate set to increase to .65 percent in January 2009, and by .01 percent every year thereafter until reaching the .7 percent rate in January 2014. The legislature may consider options to allow for faster implementation of this rate increase or to allow additional future increases. Those options are discussed in the Legislative Revenue issue paper.

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 currently in an economic downturn, with payroll taxes expected to be flat this current year, despite an increase in the payroll tax rate last January. The question is how long and how deep this economic recession will be.

Options
1. Optimistic view 1: the payroll tax base will be flat this year and next; the tax rate will increase incrementally until .007 is reached January 1, 2014; the tax base will grow 3 percent, 4 percent, 5 percent, and 6 percent in the subsequent years.
2. Optimistic view 2: same as view 1, but the tax rate will go to .007 on January 1, 2010.
3. Middle view 1: the tax base will decline 2.8 percent this year and 1.5 percent next year due to local job losses; the tax rate will increase incrementally until January 1, 2014; the base will grow 3 percent, 4 percent, 5 percent, and 6 percent in the subsequent years.
4. Middle view 2: same as middle view 1, but the tax rate will go to .007 on January 1, 2010.
5. Pessimistic view 1: the tax base will decline 4.8 percent this year, 1.5 percent next year, stay flat for two years, and then grow 3 percent, 4 percent, 5 percent, and 6 percent in the subsequent years; tax rate will increase until January 1, 2014.
6. Pessimistic view 2: same as the previous view, but the tax rate will go to .007 on January 1, 2010.

Staff Recommendation
Staff recommend Option 3 or 4.

AGENDA ITEM SUMMARY

DATE OF MEETING: December 5, 2008

ITEM TITLE: PROJECT CONSTRUCTION GRANT AGREEMENT

PREPARED BY: Stefano Viggiano, Assistant General Manager

ACTION REQUESTED: Authorize Project Construction Grant Agreement

BACKGROUND: The final step in approval of federal funding for the Gateway EmX Extension (previously called the Pioneer Parkway EmX and still referred to by that name in the federal documents) is a Project Construction Grant Agreement (PCGA). The PCGA has been through an FTA and congressional review and is now ready to be signed. Although the Board has taken action to authorize the General Manager to sign funding agreements for the project, District legal counsel has advised that Board authorization to enter this specific agreement is needed.

PCGAs are the Small Starts equivalent of Full Funding Grant Agreements that are used for larger New Starts projects. This PCGA is the first in the country.

ATTACHMENT: Resolution No. 2008-041

PROPOSED MOTION: I move approval of LTD Resolution No. 2008-041, a resolution authorizing the District to execute a Project Construction Grant Agreement with the Federal Transit Administration.

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Pension Costs

Issue
What should be assumed in the Long-Range Financial Plan for the District's contribution to pension plans beginning July 1, 2010?

Background
LTD has two pension plans: one for the union and one for administrative employees. Both plans have lost more than 35 percent of their value with the recent downturn of the market. Prior to this loss, each plan was underfunded, which means that the level of underfunding will only increase. Until an actuarial assessment is done, it is only possible to estimate the impact of the most recent market devaluation. However, it is fairly certain that some upward adjustment in the contribution rate will be necessary.

The actuarial analysis will be conducted in early 2010, with the results of the analysis to be incorporated into future budgets beginning with the FY 2010-11 budget. Currently the Long-Range Financial Plan does not assume an increase in pension costs.

Options
1. Do not assume any increase in the retirement plan contribution at this time.
2. Assume that the retirement plan contribution will increase by $250,000 in the FY 2010-11 budget.
3. Assume that the retirement plan contribution will increase by $500,000 in the FY 2010-11 budget.

Staff Recommendation
Staff recommend Option 3.

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Personnel Services

Issue
What are the major personnel services expense issues that should be considered as part of the current budget reduction process?

Background
Given contractual restrictions, it is best to consider separately personnel options for contract employees and non-contract employees.

Contract Employees:
Operator staffing levels are determined by the service level. The 14.5 percent service reduction approved by the Board will result in a reduction of approximately 23 operator positions. Less direct, but clearly service related, are Maintenance staffing levels. The service reduction will result in less peak bus use and fewer service hours and miles, which will reduce the need for mechanics and cleaners. The staff recommendation is to eliminate one cleaning position and consider the elimination of two mechanics positions. The mechanic staff reduction is complicated by the shortage of qualified mechanics, and the concern that qualified mechanics cannot be found should retirements require the addition of mechanics in the near future. Customer Service Center hours are not directly related to the service level and are discussed in a separate issue paper.

Terminations for contract employees are done by seniority within class of employee, i.e., seniority does not cross over job classifications. In the case of all of the classifications being considered for reduction, there are senior employees eligible for retirement. It would serve the District’s long-term interests if a retirement incentive could be developed that would encourage the most senior drivers and mechanics to retire, reducing the need to terminate the newest drivers. Staff are researching the alternatives and their costs. The incentive cannot be so expensive that it offsets the value of the termination.

Non-Contract Employees:
The staff recommendation includes some reductions in operating costs for administrative positions. One budgeted position in Human Resources has not been filled, with job responsibilities split among the remaining positions. Several other positions will be charging additional time to grant-funded projects, reducing the cost to the General Fund. There are several options for additional administrative staff reductions. Staff suggest that these options be considered as part of a “Tier 2” cost reduction package that would be pursued if the budget shortfall is worse than expected. Possible options for additional cost reduction in non-contract personnel costs are:

1. Reduce the number of staff
2. Freeze pay for all staff
3. Implement voluntary or required furloughs or shortened work weeks

Staff can provide additional information on each of these options at the Planning Session.

Staff Recommendation
Reductions in operator and cleaning positions are part of the service reduction. Staff will be looking at options to reduce mechanic levels in such a manner as to diminish the possibility of future hiring problems. Staff believe that administrative operations are fairly lean. It is recommended that further non-contract staff reductions be considered as part of Tier 2 budget cuts, which would be pursued if the budget shortfall is worse than expected.

LANE TRANSIT DISTRICT
RESOLUTION NO. 2008-041

A RESOLUTION AUTHORIZING LANE TRANSIT DISTRICT TO ENTER INTO AND PERFORM PROJECT CONSTRUCTION GRANT AGREEMENT FTA PCGA-01 WITH UNITED STATES OF AMERICA DEPARTMENT OF TRANSPORTATION FEDERAL TRANSIT ADMINISTRATION

WHEREAS, Bus Rapid Transit has been selected as the preferred transit strategy in the Regional Transportation Plan that has been approved by the Springfield City Council, Eugene City Council, Lane County Board of Commissioners, and Lane Transit District Board of Directors;

WHEREAS, the Springfield City Council and the Lane Transit District Board of Directors selected the Pioneer Parkway corridor as an EmX (bus rapid transit) corridor in Fall 2001;

WHEREAS, The Springfield City Council, the Lane Transit District Board of Directors, and the Metropolitan Policy Committee determined a Locally Preferred Alternative alignment in April and May of 2006;

WHEREAS, Lane Transit District has developed a financing plan using a combination of local, state, and federal funds to finance the costs of the project; and

WHEREAS, The Federal Transit Administration approved Lane Transit District's application for a Project Construction Grant Agreement in the amount of $41,295,000 on November 26, 2008;

NOW, THEREFORE, BE IT RESOLVED BY LANE TRANSIT DISTRICT

1. Lane Transit District is hereby authorized to enter into and perform that certain Project Construction Grant Agreement (FTA PCGA-01, October 2008) with the United States of America, acting through the Federal Transit Administration of the United States Department of Transportation.

2. In accordance with Lane Transit District Resolution No. 2006-019, the General Manager is authorized to execute the described agreement on behalf of Lane Transit District. Michael Eyster, President of the Board of Lane Transit District, is hereby authorized to attest the execution of the agreement by the General Manager.

Adopted by the Lane Transit District Board of Directors on the _______ day of _____________, 2008.

____
Board President

ATTEST:

____
Recording Secretary

LANE TRANSIT DISTRICT
RESOLUTION NO. 2008-________

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Adopted by the Lane Transit District Board of Directors on the _______ day of _____________, 2008.

____
Board President

ATTEST:

____
Recording Secretary

Paratransit Service Cost

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

Background
During 2008 demand for Ride*Source* ADA services showed a steady increase, which has continued in 2009. This trend is consistent with overall growth rates seen during the past decade and are projected to continue during the years ahead. A first quarter review of ridership shows an increase of 14.3 percent over last year, while vehicle miles has increased only 5.5 percent. A telling statistic is that driver hours has increased 16.3 percent during the same period. This appears to indicate more waiting or dwell time associated with the trips being taken, which results in increased costs.

Key factors driving costs up include fuel costs, which have increased nearly 36 percent over the first quarter of last year. This will slow as prices continue to fall; however, no one anticipates long-term prices to stay low. A reduction in casualty insurance premiums has helped offset some of the fuel cost increases. Employee benefits have not changed significantly, with the exception of medical coverage costs, which increased approximately 8 percent over the prior year. On the demand side, ADA eligibility applications from new users is rising modestly, as is the average number of weekly rides each user requests. Vehicle miles are not increasing as fast as ridership or driver hours. Preliminary results suggest that the automated scheduling system has reduced overall miles driven. Evaluating these factors based on a quarter-over-quarter analysis must be tempered by the reality that annual fluctuations can and do occur and that the year-end numbers may look quite different.

It is anticipated that the planned transfer of $2.4 million could be as high as $2.8 million, based on prior year increases; however, first quarter indicators show costs being very close to budget. The approach to securing additional revenues will be covered in the revenue summaries found later in this packet.

Options
1. Assume a modest growth rate of 5 percent annually, based on very successful efforts to curb demand through more comprehensive ADA eligibility certification, service integration, and successes in utilization of the brokerage model.
2. Assume the District maintains the current growth rate of approximately 10 percent annually by successful efforts to curb demand through more comprehensive ADA eligibility certification, service integration, and successes in utilization of the brokerage model.
3. Assume an aggressive growth rate of 15 to 20 percent annually due to dramatic increases in the use of Ride*Source* services and increasing costs to provide these services overshadowing offsetting the District's efforts to curb demand through more comprehensive ADA eligibility certification, service integration, and successes in utilization of the brokerage model.

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