

**LANE TRANSIT DISTRICT BOARD OF DIRECTORS  
STRATEGIC PLANNING WORK SESSION**

**Monday, December 7, 2009  
2:00 p.m. to 5:00 p.m.**

**LTD BOARD ROOM  
3500 E. 17<sup>th</sup> Avenue, Eugene  
(off Glenwood Boulevard, in Glenwood)**

*Public testimony will not be heard at this meeting*

**CALL TO ORDER**

**ROLL CALL**

Dubick \_\_\_\_\_ Evans \_\_\_\_\_ Eyster \_\_\_\_\_ Gaydos \_\_\_\_\_  
Kortge \_\_\_\_\_ Necker \_\_\_\_\_ Towery \_\_\_\_\_

**Budget Committee Members Invited to Attend:**

Peter Davidson      Jon Hinds      Dwight Collins      Warren Wong      Kay Metzger  
Donald Nordin      Edward Gerdes

***Work Session Objective: Provide direction on key assumptions to use in development of the FY 2010-11 Budget and the Long-Range Financial Plan.***

**AGENDA**

**Page No.**

1. Welcome
2. Status of Current Year Budget
3. Key Assumptions for FY 2010-11 Budget and Long-Range Financial Plan
  - ◆ Payroll Tax 2
  - ◆ Federal, State, and Local Revenue 4
  - ◆ Fare Changes 6
  - ◆ Capital Improvements Program 7
  - ◆ Fuel Cost 12
  - ◆ Personnel Services Cost 14
  - ◆ Pension Cost 15
  - ◆ RideSource Cost 16
  - ◆ Materials and Services Costs 17
  - ◆ Budget Reductions/Service Level 18

**ADJOURNMENT**

## Payroll Tax

### Issue

How much revenue should be assumed from the payroll tax in FY 2010-11 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 set to increase to 0.66 percent in January 2010, 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. The 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 approve an increase would be January 1, 2011, which would require 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 currently in a significant economic downturn, with payroll taxes expected to be down in the current year compared to last year, despite an increase in the payroll tax rate last January. Depending on perspective and geography, the recession may be over or at least not getting any worse. However, there is widespread speculation that the recovery will be jobless. The latest Oregon Economic and Revenue Forecast predicts that Oregon jobs lost since 2007 will not be regained until 2013.

### Options for Implementation of Payroll Tax Rate Increase to .008

1. Assume January 1, 2011, implementation (requires action in October 2010)
2. Assume January 1, 2012, implementation (requires action in October 2011)
3. Assume January 1, 2013, implementation (requires action in October 2012)
4. Assume January 1, 2014, implementation (requires action in October 2013)

### Staff Recommendation

Staff recommend Option 3.

### Payroll Tax Receipt Options

1. Assume payroll tax receipts will decline 10 percent this year; growth in the base will be flat next year and will grow 3 percent, 4 percent, 5 percent, and 6 percent in the subsequent years.

2. Assume payroll tax receipts will decline 5 percent this year; growth in the base will be flat next year and will grow 3 percent, 4 percent, 5 percent, and 6 percent in the subsequent years.

**Staff Recommendation**

Staff recommend Option 1.

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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 2009-10 and beyond?

## Background

Federal Revenue Possibilities: The reauthorization of the Surface Transportation Bill has been delayed. However, there is a good chance that a shorter term (one- or two-year) bill will be approved as part of a jobs creation package. Such a bill would provide additional transit formula funding with an expectation that the money be spent within a short period of time. The bill would not have any policy changes and probably not include any specific project funding. The most likely timing for this shorter bill is approval in January or February of 2010.

The longer term reauthorization bill will likely have more funding for transit. For example, the House bill that was drafted by the Transportation and Infrastructure Committee would have allocated 20 percent of total funding to transit, compared with 15 percent in SAFETEA-LU.

State Revenue Possibilities: The following transit funding was approved by the 2009 Legislature:

- Elderly and Disabled (E&D) Transportation: Potentially, a total of \$32 million per biennium was approved statewide. This is broken down as follows:
  - \$20 million in Surface Transportation Program (STP) funds (with restrictions on use)
  - \$10 million from State General Fund
  - \$2.2 million from gas tax (likely start in 2011)
  - \$400,000 from ID Card Fee increase
  - \$600,000 loss from reduced cigarette tax revenue

This would result in approximately \$1.2 million per year for LTD, of which approximately \$960,000 is available for operations and the remainder designated for vehicle replacement. Nevertheless, the General Fund money is vulnerable if the income and/or corporate tax ballot measures are rejected by voters on January 26, 2010. In addition, as a General Fund expenditure, the funding requires approval by the legislature every session, which puts continued funding in jeopardy. One option that was considered toward the end of the 2009 session was that funding for E&D transportation be provided from revenue generated by establishing a cap on the senior medical tax deduction. That option, which would provide for a dedicated funding stream, will likely be reconsidered in future sessions and perhaps as early as the 2010 short session.

- Payroll Tax: The 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 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 approve an increase would be January 1, 2011, which would require action by early fall of 2010.

Local Revenue Possibilities: There are no current plans to consider new local transit revenue options. However, there is a good chance that LTD will be allocated a portion of the Surface Transportation Program-Urban (STP-U) funds. Under discussion is an allocation of \$500,000 per year for three years. Note that although STP-U is a federal funding program, the allocation of those funds is a local decision, so they are considered local revenue.

### **Options/Recommendations**

Federal: A short-term jobs/transportation bill would likely provide some additional transit funding via formula in much the same way that the stimulus funding did last year. Given that the timing of that action is likely to precede decisions on budget and service changes, it is possible to wait and see if the bill is approved and, if so, how much additional funding it would provide. For now, it would seem safe to assume an additional \$500,000 per year for four years in formula funding transfer (as recommended in the Capital Improvements Program agenda item), since that amount can be absorbed within current funding levels. It may be beneficial to have optional levels of service reductions.

#### State:

##### E&D Funding:

1. Assume continuation of \$1.2 million per year
2. Assume General Fund money goes away, reducing additional state funding to \$800,000 per year
3. Assume General Fund money and half of STP funding goes away, reducing state contribution to about \$450,000 per year.

Staff recommend Option 2.

Local: Assume that \$1.5 million in STP-U funding is allocated to LTD during the next three-year period.

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# Fare Changes

## Issue

What level of fare pricing should the District set for FY 2010-11?

## Background

The District's 2008 fare changes included the elimination of single-ride fare instruments and a 20 percent increase in cash and pass prices. Even with these changes, fare revenues have remained strong throughout the last fiscal year, and farebox revenues increased 15.6 percent. There also was an increase in adult three-month bus pass sales, which is likely due in part to the restructuring of the senior fare category. Monthly bus pass sales dropped in both adult and half-fare categories. Token sales dropped dramatically as sales to the general public were eliminated; only agency purchases are allowed now. The District's Student Transit Pass program, funded through the Oregon Department of Energy, provided increased fare revenue due to increases in student ridership and the new calculation methodology. Group pass prices were increased 8.1 percent and only one large group (Royal Caribbean) dropped from the program during FY 2008-09. Fiscal year 2009-10 began with the continuation of declining ridership; therefore, revenues have declined 3.4 percent year-to-date. In the past week, the District was informed by PeaceHealth that the organization would be dropping the group pass program.

While the District's fare policy continues to support rotating fare price increases, the elimination of a single-ride fare instrument (tokens) reduces the ability to provide an incentive for riders to move to prepaid instruments. The policy also is limited because a two-year rotation may appear to be onerous to riders. A three-year rotation is achievable by making no changes in the third year of the rotation.

Staff briefly discussed other fare programs and processes in an effort to evaluate how effective they could be for LTD. While no detailed analysis has been conducted, creating new fare payment programs or implementing a more sophisticated fare management system is not seen as a benefit at this time. Other fare programs could include:

1. Zone fares
2. Peak-hour pricing
3. Reinstating senior fares
4. Implementation of a new fare management system

The Long-Range Financial Plan assumes that fares will decline by 5 percent, stay flat, and then return to a 5 percent growth rate based on historical trends.

## Options

1. Make no changes to cash fares, pass prices, and group pass pricing.
2. Increase cash fares to \$1.75 and increase group pass rates. This change would result in an increase in Day Pass prices and an increase in RideSource fares from \$3.00 to \$3.50.
3. Increase bus pass prices by approximately 7 percent and hold cash and group pass prices at current rates. The adult monthly bus pass price would increase to \$48 and half-fare program and youth prices would increase to \$24. Three-month adult pass would increase to \$130 and half-fare and youth three-month would increase to \$65.

## Staff Recommendation

Staff recommend Option 3.

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# Capital Improvements Program

## Issue

What level of preventive maintenance funding should be programmed in the Capital Improvements Program to free up funding for service?

## Background

While LTD has always purchased engine kits and tires using federal formula funds, the practice of programming funds in the Capital Improvements Program (CIP) for the larger preventive maintenance program began with the 2010-2017 CIP. Projects were cut or deferred to free up \$1 million per year. When combined with the engine kits/tire funding, a total of \$1.2 million was programmed annually for preventive maintenance. Additional American Recovery and Reinvestment Act (ARRA) funds totaling \$3.2 million were also programmed for FY 2010 to help free up funding for service.

Drafting of the 2011-18 CIP has begun. It includes projects that are necessary to maintain operations and provide quality service to our customers. The process has revealed uncommitted funds totaling \$2 million. This amount has been programmed into the first four years of the draft CIP to fund additional preventive maintenance. The result is \$1.7 million in general fund money being freed up annually for the first four years to fund service. There is also a residual savings of approximately \$425,000 per year (for the first four years) in local capital match dollars that will not have to be transferred to the capital fund since these funds are not being used for capital projects.

## Options

1. Program \$1.2 million of federal formula funds annually in the Capital Improvements Program to be used for preventive maintenance.
2. Program \$1.2 million of federal formula funds annually and the additional \$2 million over the first four years in the Capital Improvements Program to be used for preventive maintenance.
3. Make additional cuts to the Capital Improvements Program to increase funding of preventive maintenance from levels in the current draft CIP.

## Staff Recommendation

Staff recommend Option 2.

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Lane Transit District  
Capital Improvements Program FY 2011-2018  
11-18 draft 20091202



Project List	Year 1 FY 10-11	Year 2 FY 11-12	Year 3 FY 12-13	Year 4 FY 13-14	Year 5 FY 14-15	Year 6 FY 15-16	Year 7 FY 16-17	Year 8 FY 17-18	Eight-Year Total
<b>EmX Service</b>									
Gateway EmX Extension	7,862,300	0	0	0	0	0	0	0	7,862,300
Lane Transit District	1,000,000								1,000,000
	8,862,300								8,862,300
West Eugene EmX Extension	1,200,000	3,000,000	12,000,000	16,500,000	12,300,000				45,000,000
State Lottery Funds	800,000	2,000,000	8,000,000	10,200,000	9,000,000				30,000,000
	2,000,000	5,000,000	20,000,000	26,700,000	21,300,000	0	0	0	75,000,000
4th EmX Corridor			400,000	400,000	800,000	1,600,000	800,000		4,000,000
Lane Transit District			100,000	100,000	200,000	400,000	200,000		1,000,000
	0	0	500,000	500,000	1,000,000	2,000,000	1,000,000	0	5,000,000
Franklin EmX Corridor-Glenwood Lanes						4,000,000			4,000,000
Lane Transit District						1,000,000			1,000,000
	0	0	0	0	0	5,000,000	0	0	5,000,000
<b>Revenue Vehicles</b>									
5309 Debt Issuance	2,640,000	3,000,000							5,640,000
Lane Transit District	772,970	8,000,000	11,310,000		10,450,000				29,760,000
STP	987,030								987,030
	4,400,000	11,000,000	11,310,000	0	10,450,000	0	0	0	37,160,000
<b>Passenger Boarding/Facilities Improvements</b>									
Glenwood Facility Remodel		400,000							400,000
Lane Transit District		100,000		1,600,000	6,400,000	4,800,000			12,800,000
	0	500,000	0	2,000,000	8,000,000	6,000,000	0	0	16,500,000
Other Passenger Boarding/Facilities Improvements	400,000	612,000	140,000	408,000	140,000	140,000	140,000	140,000	2,120,000
Lane Transit District	60,000								60,000
	115,000	153,000	35,000	102,000	35,000	35,000	35,000	35,000	545,000
	575,000	765,000	175,000	510,000	175,000	175,000	175,000	175,000	2,725,000
Park & Ride Facilities					2,400,000	2,400,000			4,800,000
Lane Transit District					600,000	600,000			1,200,000
	0	0	0	0	3,000,000	3,000,000	0	0	6,000,000



Lane Transit District  
Capital Improvements Program FY 2011-2018  
11-18 draft 20091202



Project List (cont'd)		Year 1 FY 10-11	Year 2 FY 11-12	Year 3 FY 12-13	Year 4 FY 13-14	Year 5 FY 14-15	Year 6 FY 15-16	Year 7 FY 16-17	Year 8 FY 17-18	Eight-Year Total
<b>Hardware/Software</b>										
5307	Lane Transit District	708,000	892,000	1,060,000	472,000	652,000	656,000	260,000	504,000	5,204,000
	STP	177,000	223,000	265,000	118,000	163,000	164,000	65,000	126,000	1,301,000
		30,000	30,000		30,000			30,000		90,000
		915,000	1,115,000	1,325,000	620,000	815,000	820,000	355,000	630,000	6,595,000
<b>Intelligent Transportation Systems</b>										
5307	Lane Transit District	2,000,000	1,200,000	720,000						3,920,000
		500,000	300,000	180,000						980,000
		2,500,000	1,500,000	900,000	0	0	0	0	0	4,900,000
5307	Lane Transit District	120,000	140,000	180,000	40,000	80,000	80,000	80,000		720,000
		30,000	35,000	45,000	10,000	20,000	20,000	20,000		180,000
		150,000	175,000	225,000	50,000	100,000	100,000	100,000	0	900,000
<b>Communications</b>										
5307	Lane Transit District	141,600	18,000	58,000	810,000	66,000	10,000	58,000	18,000	1,179,600
		35,400	4,500	14,500	202,500	16,500	2,500	14,500	4,500	294,900
		177,000	22,500	72,500	1,012,500	82,500	12,500	72,500	22,500	1,474,500
<b>Transit Security Projects</b>										
5307	Lane Transit District	72,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	1,472,000
		18,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	368,000
		90,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	1,840,000
<b>Miscellaneous Equipment</b>										
5307	Lane Transit District	84,000	32,000	32,000	84,000	32,000	32,000	84,000	32,000	412,000
		21,000	8,000	8,000	21,000	8,000	8,000	21,000	8,000	103,000
		105,000	40,000	40,000	105,000	40,000	40,000	105,000	40,000	515,000
<b>Shop Equipment</b>										
5307	Lane Transit District	93,560	29,040	33,744	30,960	75,240	24,000	40,000	24,000	350,544
		23,390	7,260	8,436	7,740	18,810	6,000	10,000	6,000	87,636
		116,950	36,300	42,180	38,700	94,050	30,000	50,000	30,000	438,180
<b>Support Vehicles</b>										
5307	Lane Transit District	48,000	48,000	48,000	80,000	80,000	80,000	80,000	80,000	544,000
		12,000	12,000	12,000	20,000	20,000	20,000	20,000	20,000	136,000
		60,000	60,000	60,000	100,000	100,000	100,000	100,000	100,000	680,000

Lane Transit District  
Capital Improvements Program FY 2011-2018  
11-18 draft 20091202



Project List (cont'd)	Year 1 FY 10-11	Year 2 FY 11-12	Year 3 FY 12-13	Year 4 FY 13-14	Year 5 FY 14-15	Year 6 FY 15-16	Year 7 FY 16-17	Year 8 FY 17-18	Eight-Year Total
<b>Accessible Services Vehicles and Projects</b>									
5310	502,488	502,488	628,110	628,110	753,732	753,732	753,732	753,732	5,276,124
5311 - ARRA - State	17,700								17,700
Lane Transit District	57,512	57,512	71,890	71,890	86,268	86,268	86,268	86,268	603,876
	577,700	560,000	700,000	700,000	840,000	840,000	840,000	840,000	5,897,700
<b>Transportation Options</b>									
5307	81,700	81,700	81,700	81,700	81,700	81,700	81,700	65,360	637,260
City of Eugene	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	40,000
City of Springfield	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	40,000
Lane County	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	40,000
Lane Transit District	5,000	5,000	5,000	5,000	5,000	5,000	5,000	21,340	56,340
STP	100,500	100,500	100,500	100,500	100,500	100,500	100,500	100,500	804,000
STP-U	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	1,920,000
	442,200	442,200	442,200	442,200	442,200	442,200	442,200	442,200	3,537,600
<b>Preventive Maintenance</b>									
5307	1,700,000	1,700,000	1,700,000	1,700,000	1,200,000	1,200,000	1,200,000	1,200,000	11,600,000
	1,700,000	1,700,000	1,700,000	1,700,000	1,200,000	1,200,000	1,200,000	1,200,000	11,600,000
<b>Debt Service-Revenue Vehicles</b>									
5307		742,560	1,782,560	1,782,560	2,822,560	2,822,560	2,822,560	2,822,560	15,597,920
Lane Transit District		185,640	445,640	445,640	705,640	705,640	705,640	705,640	3,899,480
	0	928,200	2,228,200	2,228,200	3,528,200	3,528,200	3,528,200	3,528,200	19,497,400
<b>Project Total</b>	<b>22,671,150</b>	<b>24,094,200</b>	<b>39,970,080</b>	<b>36,956,600</b>	<b>51,416,950</b>	<b>23,537,900</b>	<b>8,217,900</b>	<b>7,257,900</b>	<b>214,122,680</b>



Lane Transit District  
 Capital Improvements Program FY 2011-2018  
 11-18 draft 20091202

Funding Summary		Year 1 FY 10-11	Year 2 FY 11-12	Year 3 FY 12-13	Year 4 FY 13-14	Year 5 FY 14-15	Year 6 FY 15-16	Year 7 FY 16-17	Year 8 FY 17-18	Eight-Year Total
<b>Federal</b>										
5307	Urbanized Area Formula Program	5,448,860	6,095,300	6,036,004	5,689,220	5,429,500	5,326,260	5,046,260	5,085,920	44,157,324
5309		2,700,000	3,000,000		1,600,000	8,800,000	11,200,000			27,300,000
5309 - Small Starts-	Small Starts	7,862,300								7,862,300
5309 - Small Starts-	Small Starts	1,200,000	3,000,000	12,000,000	16,500,000	12,300,000				45,000,000
5310	Special Needs of Elderly and Disabled Individuals	502,488	502,488	628,110	628,110	753,732	753,732	753,732	753,732	5,276,124
5311 - ARRA - State	American Recovery & Reinvestment Act	17,700								17,700
5339	Alternatives Analysis Program			400,000	400,000	800,000	1,600,000	800,000		4,000,000
STP	Surface Transportation Program	1,117,530	100,500	100,500	130,500	100,500	100,500	130,500	100,500	1,881,030
STP-U	Surface Transportation Program-Urban	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	1,920,000
		19,088,878	12,938,288	19,404,614	25,187,830	28,423,732	19,220,492	6,970,492	6,180,152	137,414,478
<b>State</b>										
	State Lottery Funds	800,000	2,000,000	8,000,000	10,200,000	9,000,000				30,000,000
		800,000	2,000,000	8,000,000	10,200,000	9,000,000	0	0	0	30,000,000
<b>Local-Other</b>										
	City of Eugene	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	40,000
	City of Springfield	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	40,000
	Lane County	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	40,000
	Lane Transit District	2,767,272	1,140,912	1,240,466	1,553,770	3,528,218	4,302,408	1,232,408	1,062,748	16,828,202
		2,782,272	1,155,912	1,255,466	1,568,770	3,543,218	4,317,408	1,247,408	1,077,748	16,948,202
<b>Debt Issuance</b>										
	Debt Issuance		8,000,000	11,310,000		10,450,000				29,760,000
		0	8,000,000	11,310,000	0	10,450,000	0	0	0	29,760,000
	<b>Funding Total</b>	<b>22,671,150</b>	<b>24,094,200</b>	<b>39,970,080</b>	<b>36,956,600</b>	<b>51,416,950</b>	<b>23,537,900</b>	<b>8,217,900</b>	<b>7,257,900</b>	<b>214,122,680</b>

## Fuel Cost

### Issue:

What should LTD assume for the price of diesel fuel in FY 2010-11 and in subsequent years?

### Background:

In 1999 the price of oil hovered around \$16 per barrel. On January 2, 2008, the cost per barrel reached \$100. In July 2008 it reached a peak of \$147 per 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 higher than they were a few years ago, but considerably lower than they were projected to be 18 months ago. Currently, the price of a barrel of crude oil has been and is hovering around the \$80 mark.

The FY 2009-10 Budget assumes that diesel fuel will cost an average of \$2.00 per gallon during the year. Actual fuel costs for July 1, 2009, through November 18, 2009, have been:

- Lowest – July 10, 2009: \$1.20 per gallon
- Highest – October 22, 2009: \$2.20 per gallon
- Average for July 1, 2009–November 18, 2009: (without Coos Bay fuel): \$2.00 per gallon
- Oregon 2 percent biofuel mandate, effective October 1, 2009 - additional cost per gallon above Ultra Low Sulfur Diesel (USLD), Oil Price Information Service (OPIS), rack price: an additional \$.04 - \$.05 per gallon
- Bulk Fuel (includes shipping both directions) purchased at: \$1.68 per gallon  
[Bulk Fuel Quantity (storage at Coos Bay site - 780,000 gallon capacity): 450,000 gallons]

Eighty dollars (\$80) per barrel currently 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 \$75 to \$85 range during the next year. The difference of \$75 to \$85 per barrel is approximately a 14 percent increase. The percentage of fuel at \$80 per barrel would equate to \$2.00 per gallon; \$85 per barrel would equate to \$2.30 per gallon. Accounting for the Oregon 2 percent biofuel mandate, and using the high end of this range for fuel purchases for the remainder of the fiscal year, the average price for the year could be about \$2.35. During FY 2009-10, LTD is expected to use approximately 950,000 to 1,000,000 gallons of diesel fuel. Each 10 cent increase or reduction of the average per gallon fuel price has an impact on the budget of about \$100,000.

### Options:

1. Retain the current budget estimate of an average of \$2.00 per gallon (no increase), with increases of 3 percent per year thereafter, recognizing that this could likely result in a significant negative balance for this line item. Continue to buy fuel at a lower cost for storage at the Coos Bay site when it is cost effective.
2. Assume an average price of \$2.35 per gallon (15 percent increase), with 5 percent increases in future years. Even assuming an additional cost for biofuel, there should be a positive balance for this line item at the end of the fiscal year. The 5 percent growth per year may be conservative, but is supported by the fact that the starting point of \$2.35 per gallon will likely be the cost by the end of the current fiscal year. Continue to buy fuel at a lower cost for storage at the Coos Bay site when it is cost effective, and utilize the current supply as price dictates.

3. Assume an average price of \$2.80 per gallon (40 percent increase), with 6 percent increases in future years. This is an estimate based on upward trends. The future year growth rate is increased somewhat to account for this lower FY 2010-11 price assumption but may still be somewhat optimistic. Continue to buy fuel at a lower cost for storage at the Coos Bay site when it is cost effective, and utilize the current supply as price dictates.

**Staff Recommendation:**

Staff recommend Option 2.

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## **Personnel Services Cost (Wages and Insurance)**

### **Issue**

What should be assumed for personnel services cost?

### **Background**

In FY 2009-10 contracted wage rate tables increased by 3.6 percent and administrative salary scales did not increase. Health insurance premiums are increasing by 15 percent, which is increasing personnel services costs by 2.5 percent.

Given the poor condition of the local economy, which has created a current and projected LTD budget shortfall, wages should not continue to increase at current rates. The proposed draft of the revised Long-Range Financial Plan assumes no salary or wage scale increases for employees in FY 2010-11 and modest growth in the years thereafter.

### **Options**

1. Assume that wage scales will not increase in FY 2010-11 and will grow modestly thereafter; medical insurance will increase 15 percent in FY 2010-11 and 10 percent thereafter; and other insurance benefits will increase by 5 percent per year.
2. Assume that wage scales will not increase in FY 2010-11 and that insurance costs will be reduced. Cost reduction options include restructuring benefit plans or employee copayments for premiums.
3. Assume that wage scales will increase in FY 2010-11 and that other insurance costs will increase as described in Option 1.

### **Staff Recommendation**

Staff recommend Option 1.

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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, 2010?

## Background

LTD has two pension plans: one for the union and one for administrative employees. Both plans are recovering from more than a 35 percent loss 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. An actuarial assessment has been completed on the Salaried plan, which increases LTD's contribution from 16.8 percent to 18.3 percent on July 1, 2010. The corollary actuarial assessment for the LTD/ATU plan will be done in 2011. It is fairly certain that some upward adjustment in the contribution rate will be necessary in this plan as well.

Currently the Long-Range Financial Plan assumes an additional annual \$700,000 (with annual inflation added) in pension plan contributions, split between the two plans.

## Options

1. Adjust the Salaried plan by a 1.5 percent increase. Do not assume any increase in the LTD/ATU retirement plan contribution at this time.
2. Adjust the Salaried plan by a 1.5 percent increase. Assume that the retirement plan contribution for the LTD/ATU plan will increase by up to 3 percent in the FY 2010-11 Budget.
3. Adjust the Salaried plan by a 1.5 percent increase. Assume that the retirement plan contribution for the LTD/ATU plan will increase by more than 3 percent in the FY 2010-11 Budget.

## Staff Recommendation

Staff recommend Option 2.

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# RideSource Cost

## Issue

What cost increases should be assumed for RideSource Americans with Disabilities Act (ADA) service?

## Background

During 2008 demand for RideSource ADA services showed a steady increase, which has continued in 2009. This trend is slightly lower than in past years, but it is projected to continue during the years ahead. A review of ridership, comparing January to June 2008 to the same period in 2009, shows an increase of 4.2 percent. Vehicle miles have increased 2.8 percent and driver hours have increased 2.3 percent during the same period. FY 2009-10 began with more robust growth in each of these categories, so it is difficult to tell if the slower growth in the second half of FY 2008-09 will continue throughout the coming year.

Fuel costs were more moderate compared to last year, which helped keep costs down. Wage and benefit costs are being managed well, and medical costs have increased a modest 7.9 percent over the prior year. 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.

The District has been able to reduce pressure on the general fund by utilizing state and federal grants. Current grants will allow the District to reduce general fund contributions during the next two years. While these funding opportunities may continue, it is not anticipated that they will continue at current levels.

## 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, successes in utilization of the brokerage model, shifting paratransit trips to fixed route, expanding service integration efforts, and implementing the cost allocation 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 dramatic increases in the use of RideSource services and increasing costs to provide these services overshadowing the District's efforts to curb demand.

## Staff Recommendation

Staff recommend Option 2.

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## Materials and Services Costs

### Issue

After thoroughly considering all of the components of the materials and services budget from last year and deciding which expenditures could be reduced or cut on a short- or long-term basis, is there anything left in the current materials and services (M&S) budget that is discretionary or low priority?

### Background

In 2008, 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)
- Implementation of Gateway EmX: The Gateway EmX line will open in January 2011. Beyond the increase in service to that corridor, there will be additional M&S costs to opening this extension. They include increased costs for additional utilities, station cleaning, security, and fare checking.

It is not likely that this list would be changed as the result of additional discussion. The FY 2009-10 Budget was developed with this list as a guide. Fuel prices have fallen since last year and stabilized with the help of the purchase and storage plan.

### Options

1. Continue to restrict and curtail expenditures identified last year.
2. Take as much additional expenditures (primarily in training, and promotions and sponsorships) as can be eliminated without adversely affecting the quality of the service LTD provides and while preserving the goal of developing/maintaining a workplace environment that fosters success.

### Staff Recommendation

Staff recommend Option 1.

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# Budget Reductions/Service Level

## Issue

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

## Background

News of declining payroll tax revenues has created a need to revisit the redesign of bus service that was developed in FY 2009-10. Staff are evaluating the outreach efforts to determine the best method of obtaining community feedback. Lead staff visited with TriMet and Salem Transit staff to discuss the planning and implementation of their recent efforts to reduce service -- specifically to examine how public involvement was handled. LTD public involvement efforts in FY 2008-09 included many of the same elements employed at both TriMet and Salem. Staff will review the most effective outreach activities and employ these in our efforts to gather input during this year's process.

Staff are developing a reduction package that will allow the District to reduce the operating budget by approximately \$3-\$5 million annually. Other savings will need to be evaluated and may include reductions in materials and services, personnel, and changes in the District's Capital Improvements Program.

Service reductions for FY 2010-11 will be implemented in September 2010; however, some minor reductions may be effective as early as June 2010.

## Options

1. Assume one large service/budget reduction in 2010-11.
2. Assume a smaller service/budget reduction in 2010-11, followed by a second cut in Year 3 or Year 4 of the Long-Range Financial Plan, which balances the Plan over the eight-year planning horizon.

## Staff Recommendation

Staff recommend Option 2.

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# Payroll Tax

- Implementation Date
  1. January 1, 2011 (requires approval 10/2010)
  2. January 1, 2012 (requires approval 10/2011)
  - 3. January 1, 2013 (requires approval 10/2012)**
  4. January 1, 2014 (requires approval 10/2014)
- Growth
  - 1. Assume payroll tax declines 10 percent this year**
  2. Assume payroll tax declines 5 percent this year

# Federal, State, Local Revenue

- Federal Revenue
  - **Assume no new/additional federal revenue**
  - **Monitor possible jobs/transportation bill and make adjustments to plan as appropriate**
- State Revenue
  1. Assume continuation of \$1.2 per year
  2. **Assume GF dollars go away**
  3. Assume GF and half of STP funding go away
- Local Revenue
  - **Assume \$1.5 million in STP-U**

# Fare Changes

1. No changes to fares in FY 2010-11
2. Increase cash fares to \$1.75 and increase group pass rates
- 3. Increase bus pass prices by approximately 7 percent (no change to cash fares or group pass rates)**

# Capital Improvements Program

1. Program \$1.2 million per year in 5307 funds for preventative maintenance
- 2. Program \$1.2 million per year in 5307 funds for preventative maintenance plus an additional \$2 million over the next four years**
3. Make additional cuts in capital projects in increase funding of preventative maintenance

# Fuel Cost

1. Assume average of \$2.00 per gallon for FY 2010-11 with 3 percent future annual increases
- 2. Assume average of \$2.35 per gallon for FY 2010-11 with 5 percent future annual increases**
3. Assume average of \$2.80 per gallon for FY 2010-11 with 6 percent future annual increases



# Personnel Services Cost

- 1. Assume Wage scales will not increase in FY 2010-11; assume medical insurance increases 15 percent in FY 2010-11 and 10 percent in future years; assume other insurance benefits increase 5 percent per year**
2. Assume Wage scales will not increase in FY 2010-11; assume insurance will be reduced
3. Assume Wage scales will increase in FY 2010-11; assume insurance will increase as described in Option 1

# Pension Cost

1. Adjust salaried plan by 1.5 percent and do not assume an increase in the ATU plan
- 2. Adjust salaried plan by 1.5 percent and ATU plan by 3 percent**
3. Adjust salaried plan by 1.5 percent and ATU plan by more than 3 percent

# RideSource Cost

1. Assume 5 percent annual growth
- 2. Assume 10 percent annual growth**
3. Assume 15 to 20 percent annual growth

# Materials and Services Cost

- 1. Continue to restrict expenditures identified last year**
2. Eliminate additional expenditures

# Budget Reduction/Service Level

1. Assume one large service/budget reduction on FY 2010-11
2. **Assume a smaller (\$3 million) service/budget reduction in FY 2010-11, followed (likely) by a second cut in Year 3 or 4 of the plan**