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**LANE TRANSIT DISTRICT  
BOARD OF DIRECTORS  
FINANCE COMMITTEE MEETING**

**March 10, 1999  
12:00 p.m.**

**LTD CONFERENCE ROOM  
3500 E. 17th Avenue, Eugene  
(off Glenwood Blvd.)**

*Public testimony will not be heard at this meeting.*

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**A G E N D A**

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**Lane Transit District  
LONG-RANGE FINANCIAL PLAN  
Assumptions**

**March 1999**

**GENERAL ASSUMPTIONS:**

▪ **Local Economy**

All available indicators suggest that the local economy's growth will slow. The effect of slowed growth over the next five to ten years will be modest increases in payroll tax and self-employment tax revenues that correspond to general inflation. The 8 percent to 10 percent increases of recent years will decrease to three-percent annual growth.

▪ **State Employment**

State payrolls will experience very slight growth, which has been the trend during the last few years. The result will be the continuation of slight increases annually in state-in-lieu payment receipts.

▪ **State Funding Climate**

There are no state funds currently earmarked for transit in the proposed ODOT budget (other than for transportation demand management) or in any proposed new legislation. While discussion continues in the current legislative session about additional investment in transit services for the elderly and disabled, no proposals have emerged. It is possible that there will be no general transit package in the new biennium.

▪ **Federal Funding Climate**

Although efforts to obtain grant funds for bus rapid transit (BRT) have been very successful to date, discretionary grant funding for other projects and bus purchases has been increasingly difficult to obtain. Early attempts to market LTD's United Front proposal for the purchase of 30 new buses have led to the conclusion that there may be discretionary grant funding for LTD's request in the next round of appropriations. (The final result of the current United Front request will not be known until late summer or early fall.)

**STRATEGIC ASSUMPTIONS:**

- The mission, visions, and strategic actions identified in the LTD Strategic Plan will remain essentially the same for the foreseeable future.
- Bus rapid transit will remain a high-priority, high-profile project as an important component of future public transportation services in the community.
- Opportunities to add higher-technology features to both bus services and administrative functions will be actively pursued if the technology improves cost effectiveness, removes barriers to system use, improves system productivity, or otherwise provides an identifiable and quantifiable benefit.
- No change in the payroll tax rate has been assumed for the plan period.
- No significant changes in the service boundaries are anticipated.

**REVENUE SUMMARY:**

- Future discretionary grant funding in support of capital projects and bus purchases is assumed to continue until each grant application has completed the proposal process. In other words, it is assumed that projects will be grant-funded until it is a certainty that funds are not available. Assuming future grant funding that has yet to be approved in no way relieves LTD of the responsibility for considering and pursuing other project funding sources. It also will continue to be important to maintain and build substantial local reserves to match future grant awards that may be large, and to provide for the possibility of more local funding of capital projects should federal resources be inadequate.
- Until the completion of the BRT pilot corridor, revenue from fares will increase annually by the change in service (if positive) and the change in local population.
- Tax receipts will increase annually by no more than the rate of local inflation. The state economy will continue to be monitored closely for signs of change, both positive and negative, that could result in either a period of reduced receipts or a period of strong revenue growth.
- No state support of transit is assumed for the next biennium. In subsequent years, state funds are assumed at a level of \$1 million per year.

**EXPENSE SUMMARY:**

- Personnel services expenditures will grow by the rate of inflation adjusted for whatever market conditions prevail, and by additional staffing for high-priority projects as necessary. The administrative salary schedule will be reviewed annually. Fringe benefit costs are assumed to hold to a fixed percentage of total salary expense.

- Materials and services costs will increase by the rate of annual inflation. For modeling purposes, this rate is assumed to be 3 percent after FY 1999-2000.
- Risk/insurance expenses are projected to increase by 2 percent per year.
- Transfers to the Capital Fund will continue in amounts needed to make local match payments on federally-funded projects, and to build and maintain reserves required for future match amounts.
- As a result of future state legislative action supporting funding for transit services to the elderly and disabled, required support from the Operating Fund to the Special Transportation Fund will level off after FY 2000-2001.



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## Lane Transit District

### FY 1999-2000 PROPOSED BUDGET ASSUMPTIONS

March 1999

#### GENERAL FUND REVENUE:

- Total passenger fares will increase 3 percent.
- The LCC Fast Pass program will continue through the entire year.
- Special services, miscellaneous revenue, self-employment taxes, and state-in-lieu revenue will increase by 3 percent over the current-year budget.
- Payroll tax revenue will be budgeted to grow by inflation only (as a hedge against the slowing of the economy).
- Advertising revenue will decline due to the decrease in advertising space available on new buses.
- Interest earnings will remain at current-year levels.
- Operating grant revenue will increase by nearly 80 percent due to the anticipated funding of additional projects in the STIP. (Most of the additional funds will go to transportation demand management projects.)

#### GENERAL FUND EXPENSE:

- **Personnel services**
  - The Amalgamated Transit Union (ATU) employee wage schedule will increase by 3 percent, according to the terms of the current contract. Retirement contributions also will increase, from \$.87 to \$.93 per hour.
  - The administrative employee salary schedule will increase by 3 percent to reflect market conditions and inflationary changes.
  - ATU employees will receive step increases as scheduled.
  - Administrative employees will receive annual merit increases if individual performance supports them and there is room for movement within the position ranges.
  - Administrative employee benefits will be restructured. Some existing benefits will be eliminated or reduced in order to enhance the retirement plan, which is not competitive with other public sector plans and many private sector plans. The overall effect on the budget will be nominal. This proposal will be presented to the Board Human Resources Committee in March or April, 1999.

- A total of five new positions will be added in order to meet service requirements and support technology programs and projects:
  - 1 journeyman mechanic
  - 2 bus operators
  - 1 information services technician
  - 1 commuter solutions assistant (grant-funded)Some additional hours will be added to existing part-time positions in order to support the Comprehensive Service Redesign project.
- Planning and Development (P&D) department staff will be dedicated exclusively to the BRT project, and all staff positions will be grant-funded.
- **Materials and services**
  - Insurance premiums and other costs are expected to decrease slightly, in part due to improved safety performance.
  - Human Resources expenses will increase due to the recruitment of a new general manager.
  - Generally, routine materials and services expenditures will remain flat.
- **Non operating requirements**
  - **Capital transfers** will increase from \$2.5 million to \$2.9 million in order to make more local project funds available and increase reserves by the amount saved by making P&D staff costs 100 percent grant-funded.
  - **Special Transportation Fund** transfers will increase from \$742,500 to \$800,000 in order to provide for capital needs previously funded by the state, and to fund modest increases in demand-response service costs.
  - **Debt service** expense has been eliminated by the cancellation of the Oregon Transportation Infrastructure Fund contract in the current fiscal year.
  - **Operating Reserves** will be funded at current levels.

### **CAPITAL FUND REVENUE:**

- With the exception of the Springfield Station project, all projects proposed for FY 1999-2000 have grant funding identified. The Springfield Station project has partial grant funding identified. It is not clear yet what the timing and cost of the station project will be, and the project will span more than one fiscal year; therefore, there will be future opportunities to consider project funding.
- With the exception of the BRT project and activities generally funded from formula grant revenues, most of the activities proposed for subsequent years do not yet have discretionary funds identified.

**CAPITAL FUND EXPENSE:**

- The Capital Improvements Program will be presented to the Board for approval at the regular March meeting. If approved, the first year of the plan will become the Capital Fund expense budget for FY 1999-2000.
- Reserves will continue to be increased each year until local match requirements for the future are known with certainty. Should BRT gain momentum, it may be necessary to move quickly to match large sums of project grant funds.



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March 10, 1999

MEMORANDUM

TO: LTD Finance Committee

FROM: Mark Johnson, Transit Operations Manager

RE: Radio Project Update

*This is to update the Finance Committee on the progress of the radio project and the steps that have been taken to complete the project. As a reminder to the committee, on December 8, 1998, LTD gave notice to GMSI, the contractor for the project, that the District was going to declare the contract in default. A letter outlining this intent also was sent to the bonding company. LTD informed the bonding company that the District would be requesting an evaluation and would forward the report to them upon completion.*

*LTD immediately ordered a full evaluation of the system by an independent consultant, in order to determine the system's deficiencies. The consultants performed an on-site evaluation on January 13, 1999. A draft report followed in early February, outlining problems with the system. The evaluation confirmed that the system is not in compliance with contract specifications and that it is doubtful that GMSI would be able meet agreed-upon specifications. On February 25, 1999, LTD received the final report from the consultants.*

*While waiting for the report to be finalized, Purchasing Administrator Jeanette Bailor and I have been meeting with Bob Fraser, the LTD attorney in this matter, to determine the best course of action. After consultation with Mr. Fraser, it was decided that it was in LTD's best interest to attempt to negotiate a cash settlement with the bonding company. There are other options that the District may have to explore if the bonding company is not willing to negotiate a reasonable settlement. This could include filing a claim for damages against GMSI directly.*

*LTD has stopped all payments to GMSI and sent a letter to the bonding company requesting a cash settlement for the remainder of the contract. A copy of the system evaluation also was enclosed.*



*The major issues facing LTD in this issue include:*

- 1. There is a 50 percent bond. This means that the most LTD could recover is \$719,629.90, which is 50 percent of the total contract. LTD has \$500,000 in new, paid-for equipment and hardware, and approximately \$300,000 available to pay the rest of the contract.*
- 2. Costs incurred by the bonding company in analyzing its options, such as attorney and consultant fees, can be deducted from the \$719,629.90.*
- 3. The cost of a new system will be significantly higher than the current contract, possibly twice as much, although there is some usable hardware that could be used to reduce that cost.*
- 4. GMSI does not have the technical capability to provide a fully-functioning system.*
- 5. Technology has changed in the three years since the system originally was envisioned and the bids were received. What LTD specified at that time may not be what will best serve the District's long-term needs.*

*While the process for recovering damages is in progress, staff are taking the opportunity to evaluate the practical application for a radio and data acquisition system. There are new technologies available that may perform many of the functions that had been specified in the radio contract better and more efficiently. Staff currently are planning an overall strategy for technology acquisition and making determinations about what applications will serve LTD's data acquisition needs for the long-term benefit of the District.*

*MJ:js*

*attachment*