

(This packet was printed on recycled paper.)

Public notice was given to *The Register-Guard* for publication on January 14, 2008.

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

**January 16, 2008  
4:00 p.m. – 5:30 p.m.**

**LTD Conference Room A  
3500 East 17<sup>th</sup> Avenue, Eugene (in Glenwood)**

**AGENDA**

	<u>Page</u>
I. CALL TO ORDER (Dean Kortge)	
II. ROLL CALL (Dean Kortge)	
Davis _____ Dubick _____ Kortge _____	
III. APPROVE MINUTES OF DECEMBER 12, 2007, MEETING	2
IV. FREE-FARE ANALYSIS	5
V. LONG-RANGE FINANCIAL PLAN REVISIONS	14
VI. CAPITAL IMPROVEMENTS PROGRAM REVISIONS	18
VII. NEXT MEETING	
VIII. ADJOURN	

**Alternative formats of printed material (Braille, cassette tapes, or large print) are available upon request. A sign language interpreter will be made available with 48 hours' notice. The facility used for this meeting is wheelchair accessible. For more information, please call 682-6100 (voice) or 1-800-735-2900 (TTY, for persons with hearing impairments).**

# Fare-Free Service at Lane Transit District: An Overview of Financial and Operational Impacts

Prepared by  
Andy Vobora, Director of Service Planning, Accessibility, and Marketing  
Lane Transit District  
January 2008

## Issue

Lane Transit District's success in achieving increased ridership through group transit pass programs has created an interest by some public officials and community members in providing a system-wide, fare-free policy. Increasing ridership is not the only motivation for creating a fare-free system. Other motivations may include: decreasing traffic congestion and reducing the community's carbon footprint; recognizing that farebox revenue is sometimes relatively minimal and not worth the effort to collect; a desire to fill "empty buses"; a strategy to introduce young riders in an effort to cultivate future riders; encouraging development or redevelopment of a particular area; and attaining other public policy goals.

All operational policy changes have impacts, and many factors influence whether a fare-free system would be a negative or positive experience; therefore, it is important for decision makers to be aware of these possible effects. The financial and operational factors will have the most immediate impacts. Much research exists that examines various factors, such as the size of the community and transit system, the degree of commitment to a fare-free service by the community and transit system personnel, and the age and establishment of the transit service. This overview does not attempt to address these factors; however, the *References* section at the end of this document provides resources for those who may be interested in learning more about these factors.

## Objectives

Through an internal analysis of key factors, the following information reviews the immediate impacts of fare-free service in an effort to answer these fundamental questions:

- How much would it cost to implement a fare-free policy at Lane Transit District?
- How would a fare-free policy impact existing transit services?

Through a brief amount of secondary research, an appendix is included to provide a glimpse into the broader issues of fare-free systems.

### **1. How much would it cost to implement a fare-free policy at Lane Transit District?**

**Fare Revenue Loss.** The most immediate financial impact would be the loss of fare revenue. Fare revenue is comprised of cash in the farebox, prepaid fare

sales, and group pass contract payments. Some community members may be confused by group pass marketing messages that encourage potential riders to use their “free” bus pass. What some may not understand is that the pass may be free to the potential rider, but the cost of the pass has been paid for by the employer or other contracting body. The combination of farebox cash, prepaid token and pass sales, and revenues from group pass contracts currently totals more than \$5 million annually.

While the institution of a fare-free system would result in a loss of fare revenue, there would be some savings since the cost of fare collection would be eliminated. Fare collection costs include coin room equipment and maintenance, printing and distribution of fare media, farebox equipment and maintenance, and the Finance Department and other department labor costs.

These costs can be quite high for districts that employ more advanced fare collection technologies or that have honor systems that require fare enforcement personnel. For small districts the cost of fare collection can be an incentive to stay or become fare-free. As a percentage of total revenue collected, fare collection costs become greater for small systems; therefore, the institution of a fare-free system may be feasible.

If LTD discontinued fare collection, the annual savings would not be as great as it would be at like-sized or larger districts because LTD employs a very simple fare collection system that uses very basic farebox technology. Costs also are lower because of LTD’s success in transitioning customers to prepaid fare media, which includes monthly passes and group passes. Cash fare customers represent between 20 and 30 percent of total ridership, which is approximately one-half of the percentage of cash fare customers in other districts. The less cash that is handled, the lower the fare collection costs. LTD only empties fareboxes three days per week, as compared to large districts that empty fareboxes everyday and have entire groups of employees that process cash from the farebox.

LTD estimates that an annual savings of \$100,000 to \$500,000 may result by offering a fare-free system. (This range exists because the savings depends upon assumptions made about the need for advertising, the level of staffing of certain functions, and the fact that many employee responsibilities include multiple tasks.) The difficulty in realizing greater savings is that much of the work represents a portion of what an employee does, and no one position is completely dedicated to work associated with fare collection. For example, a customer service representative sells fare instruments, but also conducts trip planning over the telephone and for walk-in customers. If the sales function were eliminated, it may be possible that a position would be cut; however it also is possible that the same number of positions would be necessary to cover the operation during the span of hours and days the Customer Service Center is open to the public. The same is true for a general service worker who currently removes the fareboxes and empties the money into a vault. These employees fuel the buses, take the buses through the bus wash, and do other light maintenance work. Eliminating the collection of cash fares, which requires emptying the fareboxes three nights per week, is not likely to result in enough

time savings to reduce staffing. This also is true for staffing in the coin room, where cash is counted and prepared for delivery to the bank.

The net cost of creating a fare-free system would be approximately \$4.5 to \$5 million annually.

## 2. How would a fare-free policy impact existing transit services?

Facing a net loss in revenue of nearly \$5 million annually, the District would be faced with cutting costs to balance the operating budget or replacing these funds through additional subsidies.

A \$5 million loss in revenue would likely result in budget cuts across the District. The majority of costs are associated with the delivery of bus service, which includes bus operators, maintenance staff, and customer service staff. If we assume that \$1 million could be found in administrative cost reductions, the remaining \$4 million would be eliminated from operations; \$4 million equates to 20 percent of bus service hours currently operating.

A 20 percent reduction of service hours would require a restructuring of how service is delivered, and it is likely that neighborhood coverage would be significantly reduced. If fare revenues were replaced through a new subsidy, then service could continue in the current configuration. With the current system configuration and free fares, it isn't difficult to predict that ridership demand would increase, as current customers paying cash would ride more frequently, and a percentage of the population of potential riders would begin using the system. Considering that LTD ridership is setting records and experiencing overloads during peak travel periods, it seems that increasing demand by offering free fares would only exacerbate current operational challenges. With no identified capital funds for fleet expansion and no additional operational funds to run service to meet increased demand, riders would become frustrated as more overcrowding and overloads occurred. The system would experience increased travel time, causing greater difficulty for bus operators trying to meet scheduled arrivals and departures, and resulting in customers missing transfer connections.

Creating a fare-free system also will have a direct impact on paratransit (**RideSource**) services offered by LTD. The Americans with Disabilities Act (ADA) mandates that complementary paratransit services be provided to the elderly and people with disabilities or conditions that prevent them from using fixed-route public transportation. This curb-to-curb service is partially funded through a state cigarette tax. However, these state resources have been flat or declining for many years and do not provide adequate funding to address the increasing need for the service. LTD is required to provide these services, which has resulted in a transfer of nearly \$2 million in LTD general funds in the current fiscal year. Fares on paratransit service are prescribed in the ADA and may be set at a maximum of two times the fixed-route cash fare. While the current \$2.50 one-way fare may seem high, it should be noted that the cost per ride for a one-way RideSource trip is approximately \$23.50. The law also requires districts to maintain a non-denial policy, which means that LTD must meet demand.

In fiscal year 2008 LTD will be provide an estimated 51 percent more RideSource trips under ADA than in 2005. A significant growth rate for each of the last three years.

On the fixed-route system, a policy of leaving customers behind is considered acceptable if the wait time for the next departure is reasonable. LTD's service policy defines a wait time of 30 minutes to be reasonable. This is not an option for paratransit services that offer curb-to-curb service for individuals. Costs for paratransit service have grown by double-digits in recent years due the aging population, longer trips, and increasing dwell (waiting) time. Giving up the small amount of farebox revenue (\$140,000 annually) is not as significant an issue as the increased demand for service would be. One additional paratransit customer riding three times per week generates an added cost of over \$7,000 annually. The operating cost for 100 additional riders with similar riding characteristics would add \$700,000 annually.

Transit districts are finding it difficult to manage paratransit service cost growth due to lengthening trip times and the influx of new riders. Therefore, the ability to charge a fare is one small factor that gives districts some ability to manage the growing demand. If LTD provided a fare-free, fixed-route system, it would be required to provide a fare-free paratransit system, as well.

The immediate impact of a free paratransit service is \$140,000 in fare revenue, but as explained in the introduction, even a small number of new frequent riders could have a significant impact. These significant paratransit costs were not factored into the \$5 million gap described earlier; however, it is obvious that they would need to be addressed as part of any fare-free system implementation.

## **Conclusions**

Lane Transit District currently cannot absorb or replace a loss in fare revenue, or respond to any significant increase in demand. With a low cost for fare collection and considering that current operations would be severely impacted, LTD staff do not recommend the implementation of a fare-free system. Should subsidies become available to maintain and expand bus service hours, and to provide the necessary personnel to maintain system security, the implementation of a fare-free system should be re-examined.

While there appear to be a number of attractive aspects to a fare-free system, these aspects appear to be attainable for newly developing systems or smaller systems, where the cost of fare collection outweighs fare recovery potential, and where available subsidies fully cover the costs of operation. Current overcrowding during peak travel periods and routes struggling to meet transfer connections make recommending a fare-free system inappropriate at this time. While every transit provider would like to carry more customers, an increase in ridership, coupled with a reduction in operating revenues, would severely hamper LTD's ability to provide effective bus service throughout the community.

Lane Transit District provides a high level of service hours per capita and this service is well-used as evidenced by overall ridership of more than 10 million annual

boardings and by system-wide productivity that approaches systems 5 to 10 times its size.

It should be noted that LTD's Group Pass programs provide free bus access to more than 70,000 area residents, children under six years of age ride for free, and LTD's Honored Rider program provides free bus access to anyone age 70 and over. In a sense, an individual who is provided a bus pass by their employer or through their school is being given a "free" ride. It is estimated that this large number of "free" riders represents nearly 50 percent of the traveling public within LTD's metro area. In 2008, the LTD Board of Directors will consider a proposal to lower the age for Honored Rider status to age 65 and over, thereby increasing the number of free riders.

## **Appendix**

### **Are additional subsidies available?**

One of the commonalities of fare-free systems is the availability of subsidies to cover all operational costs. For medium and large transit systems, this appears to be out of reach. The federal government supports transportation capitalization and sees operations as a local decision. This has led to the elimination of nearly all federal operational support; therefore, if LTD were to pursue a fare-free system, it would look to local and state resources for additional funding. With local units of government trying to meet increasing budget needs, it seems unlikely there would be any current funding sources available to cover the loss of \$5 million in transit revenues.

At the state level, the 2003 legislature increased the payroll tax cap from \$6 per thousand of gross payroll to \$7 per thousand of gross payroll (.006 to .007) in an effort to provide Tri-Met and LTD with the ability to meet growing needs.

However, even with the increased tax rate, the growth in these resources is not keeping pace with growing costs for fuel and personnel services, let alone allowing TriMet and LTD to meet growing demand for new service. Because the increase from .006 to .007 is phased over a 10-year period, the payroll tax cap will not be reached until 2014, making it unlikely the legislature would make further changes anytime soon.

The 2009 legislative session may offer opportunities to better fund elderly and disabled transportation services. This would give LTD some opportunity to replace general fund transfers of resources to the rapidly growing paratransit (*RideSource*) program, but these funds would not begin to close a new \$5 million gap created by moving to a fare-free system.

### **Does fare-free result in unintended consequences?**

A number of negative impacts have been noted by larger systems that have implemented fare-free systems. These include:

- An increase in disorderly behavior by riders

- The use of the buses as a shelter by people who are homeless
- Driver morale issues as schedule adherence becomes more difficult and overcrowding creates tension
- An increase in maintenance costs associated with more vandalism
- A decrease in choice riders who react negatively to overcrowding

Research indicates that aggressive zero-tolerance policies aid in maintaining a positive environment on buses and trains. LTD has been successful using its Ordinance 36 to manage disruptive behavior, but even with a zero-tolerance policy and strict enforcement, there have been and will continue to be complaints related to these poor behaviors. As seen recently in Portland, Oregon, the ability to adequately provide security and manage negative behaviors is becoming a bigger challenge for large systems. For TriMet these challenges are leading to serious discussions around elimination of their long-standing “fareless square,” and an evaluation of ways to enclose MAX train platforms that would eliminate the honor system of fare payment currently in use. Some in Portland have suggested that the fareless square and honor payment system on MAX are not the issue; however, law enforcement personnel disagree and the dialogue continues.

Research does indicate that the few smaller systems currently offering a fare-free system have not seen these same negative impacts. In some cases, this may be a reflection of ridership levels that afford adequate space for customers. In a discussion with staff from Island Transit in Coupeville, WA, the comment was made that there are few, if any, homeless in their area, and that the community culture values transit service. The staff member did state that there had been some vandalism issues that were frustrating staff. Aggressive security policies also have aided the smaller systems in handling negative behavior.

On the positive side, a fare-free system does:

- Speed the boarding process
- Increase ridership
- Reduce administrative overhead costs

A number of districts continue to offer fare-free systems. These systems appear to be similar with respect to subsidies covering the full cost of operations and that they operate in smaller urban or rural areas. The following information provides a brief overview of these systems.

1. Coupeville, Washington – Island Transit is a small rural provider offering service on Whidbey Island and Camano Island in northern Washington. A sales tax of six-tenths of one percent generates enough revenue to meet service demands. The system carries 1.1 million annual boardings and has an annual operating budget of \$9.2 million.
2. Hasselt, Belgium – A city of about 70,000 people, Hasselt is approximately an hour away from Brussels and is Belgium’s fourth largest city. Hasselt draws riders from the approximately 300,000 people in the surrounding area. Funding

for free transit comes from an allocation of one percent of municipal taxes. This system operates 11 bus routes.

3. Wilsonville, Oregon – South Metro Area Regional Transit (SMART) was formed in 1988 when the City of Wilsonville withdrew from the TriMet service area. SMART is funded by a payroll tax of three-tenths of one percent. SMART offers free service within the City of Wilsonville, but charges for commuter services that connect to Portland, Canby, and Salem. The fare charged for commuter service began in Fall 2006 in response to pressure from the business community who felt it was unfair that riders did not pay for a share of the cost to provide bus service. Ridership initially dropped 17 percent following the institution of fare payment, but currently is down approximately 7 to 10 percent. The current operating budget is \$2,500,000 million, and there are 286,000 annual boardings.
4. Logan, Utah – Cache Valley Transit District (CVTD) is a small urban and rural provider in northern Utah. CVTD is funded through a one-quarter percent sales tax and has an operating budget of \$3.6 million and annual ridership of 1.7 million boardings.

### **Is charging a fare a barrier to ridership growth?**

Charging a fare is a barrier for some low income individuals, but research indicates other factors are more commonly cited as barriers by potential riders and by a majority of current riders. While a number of large transit districts have conducted testing of fare-free systems, the last large system test took place at Capital Metro in Austin, Texas, and ended in 1990. Following the conclusion of the fare-free demonstration at Capital Metro, a survey of riders and the general public found that the five most important factors in determining whether to ride the bus were:

- On-board safety
- On-time performance
- Convenience of routes
- Cleanliness inside the buses
- Frequency of service

The three least important factors were:

- Cost of service
- Outside appearance of the bus
- Courtesy of bus operators

Consistent with the Capital Metro survey results, LTD data gathered from Group Pass participants found that a free ride is not the most important factor for potential riders who are considering riding public transportation. If the free ride was the key factor, mode split within LTD's Group Pass companies would be much higher. Operating characteristics, such as travel time, frequency of service, convenience, and comfort, are often more important for potential riders who have another mode choice available for their trip.

## References

- Perone, Jennifer, *Advantages and Disadvantages of Fare-Free Transit Policy*. (Center for Transportation Research: NCTR Report Number: NCTR-473-133, BC 137-38, 2002)
- McCormack, Joe, *Free Transit: Could It Significantly Decrease Pollution and Sprawl*. (University of Oregon Senior Thesis, Department of Planning, Public Policy, and Management, 2000)
- Olsen, Dave, *No Fares Series*. (A Tyee Fellowship Series, TheTyee.ca, 2007)
- Myers, Ben, *Tri-Met Takes Heat at Safety Summit*. (The Gresham Outlook, November 30, 2007)
- Redden, Jim, *Pressure Mounts for More MAX Fixes*. (The Portland Tribune, November 16, 2007)
- Learn, Scott, *Curtail Free Rides, TriMet Says*. (The Oregonian. December 8, 2007)
- Web Posting, *No Fare! A Better Idea Than \$3.25 Rides on the CTA*. (June 7, 2007 - Chicago Tribune)
- Moore, Gerrit R., *Transit Ridership Efficiency as a Function of Fares*. (For Public Transportation Systems in Washington State, 1994)
- Scudder and Associates Research, *Lane Transit District Survey of Molecular Probes Employees*. (1999)
- Scudder and Associates Research, *Lane Transit District Survey of Harrang, Long, Gary, Ruddnick Employees*. (2002)
- Lockwood Research, *Lane Transit District Survey of Golden Temple Employees*. (2007).
- Litman, Todd Alexander, *Valuing Transit Service Quality Improvements*. (Victoria Transport Policy Institute, 2007)

## AGENDA ITEM SUMMARY

**DATE OF MEETING:** January 16, 2008

**ITEM TITLE:** AN ANALYSIS OF THE FINANCIAL AND OPERATIONAL IMPACTS OF FARE-FREE SERVICE AT LANE TRANSIT DISTRICT

**PREPARED BY:** Andy Vobora, Director of Service Planning, Accessibility, and Marketing

**ACTION REQUESTED:** Discussion and input on draft analysis

**BACKGROUND:** For some time, the topic of providing a fare-free system has come up in community discussions. Most recently this topic was raised by a Eugene City Councilor and a Lane County Commissioner at a Metropolitan Policy Committee meeting.

The attached draft analysis does not attempt to weigh all of the pros and cons involved with instituting a fare-free system, but rather focuses on the immediate financial and operational impacts Lane Transit District would face in moving to a fare-free system. As you will see, the report does touch on a number of other issues and some of the positive results observed at systems currently operating in a fare-free environment.

Staff will be present to discuss the analysis and would like feedback in order to finalize the analysis and present a final report to the full Board.

**ATTACHMENTS:** Draft analysis of the financial and operational impacts of fare-free service at Lane Transit District

**RESULTS OF RECOMMENDED ACTION:** A final report will be completed and presented to the LTD Board of Directors.

**PROPOSED MOTION:** None

# Legal Notice

**Date:** May 11, 2020  
**To:** Marti Deanda, Legal Publications  
*The Register-Guard*; Fax: 687-6677  
**From:** Chris Thrasher, Administrative Secretary  
Lane Transit District; Phone: 682-6200  
**RE:** Notice of Board Committee Meeting  
LTD Purchase Order #A-08118

**Please publish the following legal publication on Monday,  
January 14, 2008.**

## **NOTICE OF LTD BOARD COMMITTEE MEETING**

A meeting of the Finance Committee of the Board of Directors of Lane Transit District will be held on Wednesday, January 16, 2008, at 4:00 p.m., in the LTD Conference Room A at 3500 East 17<sup>th</sup> Avenue, Eugene (in Glenwood). Items for discussion include Long-Range Financial Plan and Capital Improvements Program revisions.

Alternative formats of printed materials (Braille, cassette tapes, or large print) are available upon request. A sign language interpreter will be made available with 48 hours' notice. The facility used for this meeting is wheelchair accessible. For more information, call 682-6100 (voice) or 1-800-735-2900 (TTY, through Oregon Relay, for persons with hearing impairments).

Q:\Reference\Board Packet\2008\01\Finance Committee 1-16-08\Legal notice to RG.doc



## **Lane Transit District**

*P.O. Box 7070  
Eugene, Oregon 97401-0470*

*3500 East 17<sup>th</sup> Avenue  
Eugene, Oregon 97403*

*Phone: 541-682-6100  
Fax: 682-6111  
TTY: 800-735-2900  
E-mail: [ltd@ltd.lane.or.us](mailto:ltd@ltd.lane.or.us)  
Internet: [www.ltd.org](http://www.ltd.org)*

## AGENDA ITEM SUMMARY

**DATE OF MEETING:** January 16, 2008

**ITEM TITLE:** Revised Long-Range Financial Plan and Revised Capital Improvements Program

**PREPARED BY:** Diane Hellekson, Director of Finance and Information Technology

**ACTION REQUESTED:** Direction for finalizing assumptions and plans

**BACKGROUND:** As Finance Committee members know, staff is currently working on revised versions of both the Long-Range Financial Plan and Capital Improvements Program. Both plans are always revisited in the fall of each fiscal year, discussed at the fall work sessions of the Leadership Council and full Board with senior staff, finalized with Finance Committee assistance, and presented to the full Board for approval in February or March. The first year of the revised Long-Range Financial Plan becomes the template for the Proposed Budget for the next fiscal year.

The attached material includes a summary of the current version of the Long-Range Financial Plan, the supporting detail, the current proposed revised Capital Improvements Program project list, and the proposed Capital Improvements Program funding plan. The assumptions, policy issues, uncertainties, and risks will be discussed at the Finance Committee meeting.

**ATTACHMENTS:** Draft Revised Long-Range Financial Plan (Version 5)  
Draft Revised Capital Improvements Program (Version 5)

**RESULTS OF RECOMMENDED ACTION:** Work will continue on finalizing both plans for presentation to the full Board for approval at a future meeting.

**PROPOSED MOTION:** None

MINUTES OF FINANCE COMMITTEE MEETING  
LANE TRANSIT DISTRICT BOARD OF DIRECTORS

January 16, 2008

Pursuant to notice given to *The Register-Guard* for publication on January 14, 2008, a meeting of the Lane Transit District Board of Directors Finance Committee was held at 4:00 p.m. on January 16, 2008, at Lane Transit District, 3500 East 17th Avenue, Eugene.

**PRESENT** - Mike Dubick, Dean Kortge, Debbie Davis

**CALL TO ORDER** – Mr. Kortge, chair of the committee, called the meeting to order at 4:03 p.m.

**ROLL CALL** – All committee members were present. The following LTD staff also attended: Diane Hellekson, Mark Pangborn, Carol James, Mark Pangborn, Stefano Viggiano, Andy Vobora, and Chris Thrasher.

**MINUTES** – Minutes from the December 12, 2007, meeting were approved unanimously.

**FREE-FARE ANALYSIS** – Mr. Vobora, director of service planning, accessibility, and marketing, stated that staff had explored the feasibility of free-fare service back in 1999. The topic was raised recently by a Eugene City Councilor and a Lane County Commissioner. A draft analysis was included in the agenda packet, which focused on the immediate financial and operational impacts LTD would face in moving to a fare-free system. The report also touched on a number of other issues and some of the positive results observed at systems currently operating in a fare-free environment.

Mr. Vobora stated that free-fare service is typically a start-up scenario.

Mr. Pangborn noted that an estimated 50 percent of the traveling public within LTD's metro area rides for free through the Group Pass program.

Mr. Kortge asked if EmX service would always be fare free. Mr. Pangborn stated that TriMet is considering elimination of its fare-less square because of security threats and customer safety. He recommended waiting another six months before making a decision. The topic would be discussed with the full Board at a future meeting.

The committee thought the report was good and a final report would be completed and presented to the LTD Board at a future meeting.

**UO GROUP PASS PROGRAM** – Mr. Vobora stated that the Associated Students of the University of Oregon (ASUO) held a public hearing regarding the group pass program and the proposed increase was accepted. This group will now pay the same rate as the other non-payroll tax groups. The UO administration does not want to make this a mandatory fee.

**LONG-RANGE FINANCIAL PLAN (LRFP) REVISIONS** -- Ms. Hellekson, director of finance and information technology, stated that the LRFP is a work in progress and was not ready for finalization. Ms. James, accounting manager, referred the committee to a draft LRFP in the agenda packet, which showed an estimated 8 percent increase in payroll tax growth for FY 2007-08 and an assumption of 5 percent increase in FY 2008-09 and FY 2009-10. The Plan

was also developed based on Personnel Services at budget minus \$500,000 and Materials & Services less Fuel at budget minus \$100,000.

The Plan did not include a 1 percent service fix. Ms. Hellekson explained that it was not a cut, just a freeze. However, a 2.5 percent service increase in total hours was included in the first year for RiverBend Hospital service, as well as a 3.6 percent increase in service hours beginning in Year 3.

Ms. James stated that another scenario was developed assuming a 5 percent increase in payroll tax growth for the current year, but service would have to be reduced in Year 4 in order for the Plan to balance.

Mr. Vobora asked if the local, large construction projects were factored into the assumption. Ms. James explained that payroll tax receipt growth is occurring because of these projects. Projects would have to continue to be added as projects are completed in order to continue seeing growth. Ms. James stated that job growth in the next 10 years is predicted in the health industry. Those jobs tend to be better paying jobs.

Ms. Hellekson stated that if payroll tax receipts are at 8 percent this year, the proposed Plan is doable all the way through the eight-year window. In the past, staff have demonstrated the need to link Personnel Services expenditures and payroll tax receipts. There may come a time when fares and fuel will need to be linked. The Board may have to reconsider the alternating fare policy in order to keep up with fuel increases.

In response to a question from Mr. Kortge, Ms. Hellekson stated that staff was putting together a program to look at self-employment tax receipts. Staff would also be researching into why state-in-lieu receipts were down 19 percent compared to the same quarter last year.

Ms. Hellekson stated that staff soon should have a more realistic idea of expected payroll tax receipts and would prepare another version of the LRFP for committee review in February.

**CAPITAL IMPROVEMENTS PROGRAM (CIP)** – Ms. James referred the committee to a draft CIP in the agenda packet. Although similar to last year, new additions included River Road property acquisition and the purchase of revenue vehicles. The cost to purchase hybrid vehicles is higher than non-hybrid vehicles, which may require long-term debt financing. If that is extended throughout the whole fleet, it may bump other projects that could be funded with formula money. The estimated additional cost to purchase 30 hybrid vehicles is \$4.5 million at \$150,000 per vehicle. Politically, the only option may be to purchase hybrid vehicles.

The committee discussed starting discussions with Eugene's Sustainable Committee regarding vehicles, carbon trade-offs, and sustainability. Mr. Dubick requested data on bio-diesel versus hybrid electric and the difference in carbon footprints.

Total project expenditures showed \$22 million for FY 2008-09 and \$43.5 million for FY 2009-10. Ms. James added that \$10 million is budgeted for renovation of the Glenwood facility.

In regards to grant funding sources, the colors on the spreadsheet represent the following:

- Tan = formula or STP funding
- Light pink = United Front requests
- Dark pink = next transportation bill, NewStarts, or discretionary money

Mr. Pangborn stated that forthcoming is a major study on the future of nation-wide transportation in anticipation of the reauthorization of federal funding. A recommendation will be to raise the federal gas tax and index it to inflation. Also, the Secretary of Transportation, has a proposed minority report that focuses on privatizing roads and withdrawing federal funding for transit. Mr. Pangborn predicted a huge debate at the national level about the role of the federal government in terms of funding.

The committee recommended researching the feasibility of purchasing hybrid vehicles and getting feedback from community leaders and target groups.

The committee also approved taking the CIP as presented to the full Board in February.

**MISCELLANEOUS** – Mr. Kortge asked if service would be provided to the airport during the Olympic Trials. Mr. Vobora stated that staff gave the Olympic Trials Committee a cost estimate for providing service. The Committee is obtaining estimates from other providers and would make a decision soon.

Ms. Hellekson stated that staff would be meeting with a *Register-Guard* reporter who is writing an article about LTD's budget and ridership growth.

**NEXT MEETING** -- The committee agreed to meet February 20 to continue discussion of the Long-Range Financial Plan.

**ADJOURNMENT** – There was no further discussion, and the meeting adjourned at 5:10 p.m.

(Recorded by Chris Thrasher, Lane Transit District)

Q:\REFERENCE\BOARD PACKET\2008\01\FINANCE COMMITTEE 1-16-08\MINUTES 1-16-08.DOC