

MINUTES OF DIRECTORS MEETING

LANE TRANSIT DISTRICT

BUDGET COMMITTEE MEETING

Monday, April 17, 2017

Pursuant to notice given to *The Register-Guard* for publication on April 13, 2017, and distributed to persons on the mailing list of the District, the Board of Directors of the Lane Transit District held a budget committee meeting on Monday, April 17, 2017, beginning at 5:30 p.m., in the LTD Board Room at 3500 East 17th Avenue, Eugene.

Present: Kathryn Bruebaker
Jody Cline
Scott Diehl, Chair
Gary Gillespie
Dean Kortge
Don Nordin
Kate Reid
Jennifer Smith
Kim Thompson
Gary Wildish
Carl Yeh
Aurora Jackson, General Manager
Lynn Taylor, Minutes Recorder

Absent: Ed Necker
Angelynn Pierce
Jon Hinds

CALL TO ORDER/ROLL CALL: Mr. Wildish called the meeting of the Lane Transit District Budget Committee to order and called the roll.

Mr. Wildish said that the April 25, 2017 Budget Committee meeting was canceled and would be rescheduled to a later date to allow the public more time to review and comment on the proposed Capital Improvement Program (CIP) and Long-Range Financial Plan (LRFP). A list of possible meeting dates in May was distributed and members were asked to indicate which dates they would be available.

PUBLIC COMMENT: There was no one wishing to speak.

WELCOME: Ms. Jackson thanked committee members for helping LTD be more fiscally responsible. She said that there was a significant amount of information to be reviewed and the documents had also been posted online for a 30-day public comment period. She said the online information would be updated with feedback from the committee and the Board would take action on the LRFP and CIP at its May 17 regular meeting.

Mr. Wildish announced that the terms of Board members Ed Necker and Gary Gillespie, subdistricts 4 and 6, were expiring and the positions would become vacant on January 1, 2018. He encouraged interested Budget Committee members who lived in those subdistricts to apply as participation on the committee provided applicants with a good understanding of how the District operated.

ELECTION OF OFFICERS: Mr. Wildish called for nominations for chair and secretary.

Mr. Korte nominated Mr. Diehl as chair. There being no other nominations, Mr. Diehl was unanimously elected chair of the Budget Committee.

Ms. Cline volunteered to serve as secretary. There being no other nominations, Ms. Cline was unanimously elected secretary of the Budget Committee.

CAPITAL IMPROVEMENTS PROGRAM 2017-2026: Director of Finance Christina Shew reviewed the process by which staff identified projects and organized them into funding tiers:

- Tier I A/B: Highest priority project with full funding identified
- Tier II: Projects contingent upon adequate available revenue to move forward
- Tier III: Projects where a need exists but where no revenue source is currently identified. If funding is identified, projects could move to Tier I or Tier II

Ms. Shew explained that once projects and funding sources were identified they were grouped into "state of good repair" and "community investment" categories, and within each category projects were classified by type, such as frequent transit network (FTN), fleet and equipment, facilities, technology infrastructure and support systems, safety and security, and other. She reviewed the timeline for public comment, Budget Committee review and feedback, and Board action.

Ms. Jackson reviewed the master list of all projects included in the CIP and explained how data was displayed and the meaning of certain terms, such as "unknown" and "unsecured." She said that dollar amounts shown in the current fiscal year were approved with the FY2017 budget; a designation of unsecured or unknown referred to outlying years in which funds had not yet been identified. She said that staff went through an internal process to identify all needs, such as vehicles, equipment, and facilities and estimated costs in today's dollars. She used the line item Revenue Vehicles to illustrate how the process was used to project future needs. A new federal program mandated transit agencies to develop a comprehensive approach to all assets, including future replacement and expansion needs, and establish a plan for future funding. That plan would be presented to the Budget Committee annually along with the CIP and LRFP in future years. She said that would result in more substantial and concrete plans. She noted that the CIP aligned with LTD's fiscal year, but not the federal fiscal year. She noted that it was an option to align the plan with the federal fiscal year, which would provide better information about the availability of federal funds. She said that staff had been discussing the possibility of presenting the CIP to the Budget Committee in September for adoption closer to the October 1 start of the federal fiscal year, thus removing it from LTD's regular budget cycle.

Ms. Shew said that she agreed that alignment with the federal fiscal year would make it easier to forecast what was affordable because accurate information on federal funding would be available. She said it would not be possible to align the District's budget with the federal fiscal year because the state required appropriation of the budget by June 30 in order to expend funds.

Ms. Jackson emphasized that the CIP was only a plan, not an appropriation, and would allow staff sufficient time to develop projects and evaluate what could be done. The Budget Committee could then review and recommend what was affordable in the budget based on detailed projections in the plan.

Mr. Kortge asked if there would be an impact on financing buses, if that became necessary. Ms. Jackson said that bus financing was also dependent on federal dollars. She said that while financing buses might be necessary, she hoped to avoid that and the associated costs of financing by reviewing how financing was being done. She reviewed components of the CIP, noting that vehicles were typically associated with a program or service, while technology purchases were lumped together for the purpose of submitting grants. She said details of those combined purchases could be provided.

In response to a question from Mr. Nordin, Ms. Jackson said the \$1,088,000 budgeted for Tier 1A hardware in 2017 was for fiber optic cable and transit management software upgrades.

Ms. Jackson used the Santa Clara Community Transit Center project to illustrate how funds had been appropriated based on receipt of a grant and applying for federal funds. It was a multi-year construction project and the current year's funding was known; the amounts shown in future years were based on known funding sources, such as Connect *Oregon* grant funds, sale of land and federal dollars, which made the project fully funded.

Mr. Diehl asked that committee members receive meeting materials further in advance for future meetings. Ms. Shew said she and many members of her staff were new and it had taken longer than anticipated to produce the meeting materials. She assured the committee those would be provided in a timelier manner for future meetings.

In response to questions from Mr. Diehl, Ms. Shew noted that Section 4: Funding Summary of the CIP included a breakdown of funding sources anticipated over the 10-year period. She said that replacement parts shown as Tier III on the Master List of all Projects meant funding was currently unknown. She explained that Tier III projects were those that LTD wanted to invest in, but for which there was currently no funding source identified. Ms. Jackson added that there were two lines for replacement parts on the Master List; one line was Tier IA with identified funding and the other was Tier III and indicated there was a need, should funds become available.

Ms. Reid asked if the Tier I replacement parts line item in 2018 meant the funds had already been secured. Ms. Jackson said the funds were secured.

Referring to the amounts required for revenue vehicles over the period of the CIP, Mr. Nordin said that the type of vehicles purchased would vary considerably over ten years. Ms. Jackson said that LTD had purchased hybrid buses in the current year with 5307 funds; next year 5307 funds had been secured for the purchase of five all-electric buses and funds were

assured for the purchase of an additional five buses. Additionally 5339 funds would be used to purchase two diesel buses. Funding for the 2017 and 2018 purchases was secured; beyond 2018 the CIP listed known replacement needs, but without information about the size and fuel type of those vehicles. She said that projections were based on the current fleet and federal rules required the District to develop a plan for securing funds for those replacement vehicles or determine that replacements could not be made during a particular year.

Assistant General Manager Administrative Services Roland Hoskins and Ms. Jackson explained that new technology resulted in diesel buses that were very reliable with much lower emissions. LTD was testing a variety of vehicles—diesel, hybrid and all-electric—for durability and emissions to determine the best approach to maintaining a reliable fleet through diversification. The FTA had determined that 12 years/500,000 miles was the expected life of a vehicle, although LTD typically extended that life span.

LONG-RANGE FINANCIAL PLAN (LRFP): Ms. Shew said the LRFP timeline for review, public comment and adoption was aligned with the CIP timeline. She reviewed the assumptions used to develop the plan:

- payroll tax increase
- start of West Eugene EmX line operations
- Lane County business tax base growth
- state-in-lieu business taxes
- Non-West Eugene redesign passenger growth
- special service growth
- use of federal funds for operations

Mr. Nordin asked how the projected 1.6 percent increase in non-West Eugene redesign passenger growth could be justified when there had been a decline in ridership recently. Ms. Shew said that ridership did fluctuate, but the projection was based on historical data over the past 20 years.

Ms. Cline asked why LTD had historically used \$5-6 million in federal funds annually for operations and then used none in 2017. Ms. Shew said that in 2017 LTD chose to use those funds for capital investments instead of operations. In 2018 and forward a modest amount would be used for operations/preventive maintenance. She said it was being used less for operations because the match requirement was higher than if it was used for capital projects. Ms. Jackson said the \$2.6 million in federal funds projected for operations in 2018 was an estimate; that amount could be adjusted in future years.

Ms. Shew reviewed the projected personnel and non-personnel expenditures.

Mr. Nordin asked if EmX drivers still received premium pay. Assistant General Manager Service Delivery Mark Johnson said initially EmX operators received \$2.00/hour extra, although only nine of those grandfathered operators remained. The premium for other operators' sunsetted on June 30, 2017.

Mr. Gillespie asked if the reduction in Oregon Department of Revenue (ODOT) funding was the result of the state's budget shortfall. Ms. Shew replied that she was not certain about the reason, although the shortfall could have been a factor.

Mr. Wildish asked if LTD's contract with Trillium would be impacted by fewer funds from ODOT. Mr. Johnson said that the Trillium contract was for Medicaid services, which were separate from the paratransit services and supported by different funds. Paratransit services would be affected by the reduced funding from ODOT. Ms. Jackson added that staff was in negotiations for renewal of the Trillium contract to include full cost recovery for LTD.

Mr. Wildish cautioned about the need to control personnel costs, particularly in the area health care expenses, during coming labor negotiations.

Ms. Reid asked how revenues that were \$8 million lower than expenditures in FY 2017 could be reconciled. Ms. Jackson replied that the plan reflected the amount of revenue and expenditures expected during that fiscal year, but most of the discrepancy in amounts was due to capital expenditures, such as the West Eugene EmX project, and those grant revenues were received in advance and already on the books.

Mr. Diehl said that related to his previous question regarding fund balances. A large amount of money might be shown in the General Funds, but much of it might be dedicated to a specific purpose or project. He said it would be helpful to know which funds had been restricted in previous years and how the District was progressing in expending those funds for their dedicated purpose. Ms. Shew and Ms. Jackson said that they agreed that would be helpful and staff would research how best to present that information to the committee.

Mr. Nordin asked where the dedicated funds existed. Ms. Jackson replied that they existed in various forms. Some money was in the General Funds and was in a bank account and other funds, particularly grant funds, were received on a reimbursement basis as project expenditures occurred. She said that federal funds could not be drawn down and placed in an account to earn interest.

In response to a question from Ms. Reid, Ms. Jackson said LTD did not receive dedicated capital funds from the state. Mr. McGlone added that the District did receive some state funds for accessible services operations. Ms. Shew said that the difference between state funds and projected accessible services expenditures was the amount that had to be transferred to the Accessible Services Fund from the General Fund.

Mr. Kortge noted that there was a significant increase in anticipated federal assistance between the 2017 and 2018 budgets. Ms. Shew said that reflected LTD's decision to use \$2.6 million in federal formula funds for operations in 2018; no federal funds were used for operations in 2017.

Ms. Smith asked how certain LTD could be about the amount of federal assistance in the future. Ms. Jackson said the five-year federal transportation legislation would provide those formula funds and Congress did not seem inclined to change that. The LRFPP did not include any competitive funds, only formula funds that could be relied upon. She said Small Start funds were competitive.

Mr. Kortge questioned why increased ridership as a result of an aging population and more retirees was included on the list of potential opportunities since those riders would not pay fares. Ms. Shew said that some formula funds were based on ridership.

Ms. Jackson said future projections were based on the premise that costs would continuously escalate. Service restructuring over the past few years, culminating in 2018,

resulted in increased costs per hour. At this point a management plan to gradually normalize the organization and manage sustainably over the next ten year was being developed. That would prevent in major changes in services and the West Eugene service redesign was providing a good framework for efficient system design. She said the LRFP was very aggressive and would require management to work within revenue projections; otherwise it was a plan to go broke in future years. She said staff would begin discussions with the Board about developing a long-range service plan that maximized the return on investments for taxpayers.

Mr. Wildish asked if budget reserves were reflected in the LRFP. Ms. Jackson said the Board's adoption of a fund balance reserve balance, meant those dollars could not be appropriated. The funds could be used for cash flow in anticipation of reimbursement from funding sources. The District was required to maintain a reserve equal to two and one-half months of operating expenses and those funds were not shown as available dollars in the LRFP. She said that she hoped to increase reserves to three months.

In response to a question from Ms. Reid, Ms. Jackson said that if the Main/McVay project was adopted by the LTD Board and Eugene City Council, the District would use that authority to apply for capital grants to fund that investment and simultaneously bring to the Board a plan for funding the project operationally. She said the LRFP and CIP would be updated and presented annually to the committee as opportunities and projections continued to evolve.

Mr. Nordin said that the Lane Council of Governments expected to receive Congestion Mitigation and Air Quality (CMAQ) funds that would need to be expended quickly, although those dollars were not included in the LRFP. Ms. Jackson said that any competitive funds the District received would need to be appropriated by the Board before they could be used. Director of Planning and Development Tom Schwetz explained that this was the first year LTD was applying for federal CMAQ funds. He said that approximately \$7 million were available and there were several entities within the Metropolitan Planning Organization (MPO) boundaries that were eligible to apply. The amount of funds and how they would be distributed in future years was still being decided and could not be shown in plans.

Mr. Wildish asked how LTD's cost per service hour compared to other districts. Ms. Jackson said that cost was calculated differently among districts and a direct comparison was difficult. LTD calculated its cost based on historical data, included all costs, and developed a plan to manage to the norm for the area. She said the cost would spike in the first two years when new operators were being hired and trained, after which the District would be managed to return to that norm.

COMMITTEE DISCUSSION: Mr. Diehl asked if there were any additional questions or comments from committee members.

Mr. Kortge asked the Board to examine the retirement plans when it reviewed the budget and contribute an additional \$1 million.

Ms. Cline agreed with Ms. Jackson that the LRFP was very ambitious. She commented that it would be challenging to maintain a cap on operating expenses in future years, although it was a good goal. Ms. Jackson said the intent was to establish an aggressive goal and manage to it so that service modifications were tempered over time.

Mr. Yeh asked that the committee be provided with information about the status of pension plan funding at its next meeting.

Ms. Jackson reminded the committee its April 25 meeting was canceled to provide additional time for public review and comment on the budget. She asked committee members to provide staff with information about future availability on the form provided.

ADJOURNMENT: Mr. Diehl adjourned the meeting at 6:55 p.m.

Budget Committee Secretary