

MINUTES OF LANE TRANSIT DISTRICT

BUDGET COMMITTEE MEETING

Wednesday, April 11, 2018

Pursuant to notice given to *The Register-Guard* for publication on March 19 and April 6, 2018, and distributed to persons on the mailing list of the District, the Budget Committee of the Lane Transit District held a meeting on Wednesday, April 11, 2018, beginning at 5:30 p.m., in the LTD Board Room at 3500 East 17th Avenue, Eugene.

Present: Kathryn Bruebaker
Jody Cline
Don Nordin
Kate Reid
Jennifer Smith
Kim Thompson
April Wick
Gary Wildish
Carl Yeh
Steven Yett
Aurora Jackson, General Manager
Camille Straub, Clerk of the Board
Lynn Taylor, Minutes Recorder

Absent: Ed Necker
Dean Kortge

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

WELCOME AND INTRODUCTIONS — Ms. Jackson thanked committee members for giving their time to review and discuss LTD's budget proposal. She said that additional meeting time had been reserved on April 12 in the event there were issues that needed to be researched and brought back to the committee, or the committee felt it needed additional discussion time.

POLLING OF COMMITTEE MEMBERS FOR COMMITTEE CHAIR — Mr. Wildish said that traditionally the Budget Committee chair was not a member of the LTD Board. He invited nominations.

MOTION Mr. Yeh nominated Ms. Bruebaker as the chair of the LTD Budget Committee.

Mr. Wildish determined there were no other nominations.

VOTE Ms. Bruebaker was elected chair as follows:
AYES: Bruebaker, Jody Cline, Don Nordin, Kate Reid, Jennifer Smith, Kim Thompson, April Wick, Gary Wildish, Carl Yeh, Steven Yett (10)
NAYS: None
ABSTENTIONS: None
EXCUSED: Kortge, Necker (2)

AUDIENCE PARTICIPATION — There was no one wishing to speak.

MOTION APPROVAL OF MINUTES — Ms. Wick moved to approve the Minutes of the October 17, 2017, Budget Committee Meeting. Ms. Cline provided the second.

VOTE The motion was approved as follows:

AYES: Bruebaker, Jody Cline, Don Nordin, Kate Reid, Jennifer Smith, Kim Thompson, April Wick, Gary Wildish, Carl Yeh, Steven Yett (10)

NAYS: None

ABSTENTIONS: None

EXCUSED: Kortge, Necker (2)

FY 2018-2019 PROPOSED BUDGET PRESENTATION — Director of Finance Christina Shew thanked the committee for helping LTD develop a budget that reflected the public's priorities. She outlined the responsibilities of a budget committee under the Oregon Local Budget Law. She also highlighted LTD's vision, mission and goals and the budget development process, including adoption of a Capital Improvement Program (CIP) in November 2017. She said the proposed budget also reflected the recently ratified contract with Amalgamated Transit Union (ATU). The public comment period on the budget began on April 6, 2018. The Board would be asked to adopt the budget at its May 2018 meeting, but if more time was necessary that decision could occur at the June 2018 meeting. The law required the budget to be adopted by June 30, 2018.

Ms. Shew said four major factors impact the proposed budget:

- Structural imbalance in spending compared to revenues
- Overpayment by local taxpayers -
- Escalating healthcare costs
- ATU contract ratified

Ms. Shew said there were \$3.3 million in overpayments in FY 2016 and FY 2017, adversely impacting FY 2017 revenue because that amount was taken back by the Oregon Department of Revenue in the last quarter of FY 2017. She used a chart to illustrate the impact on the revenue and forecasts used to develop the FY 2018 budget.

In response to a question from Ms. Bruebaker, she explained that local taxpayers overpaid taxes to the Department of Revenue, which then remitted those revenues to LTD. When the taxpayers identified their errors, they filed amended returns and the Department of Revenue was required to deduct that amount from LTD's future payments. She created a chart of top taxpayers and was monitoring revenues in order to identify anomalies and requested that the Department of Revenue provide details of taxpayer payments along with the revenue so any significant changes could be questioned.

Ms. Shew said healthcare cost had grown more than \$4 million over the last 10 years, reflecting an 87 percent increase. An aging fleet would also require major expenditures for maintenance and replacement, with 68 percent of buses having met or exceeded their useful life.

Mr. Yett asked staff to provide a graph showing the age of the fleet over a five- or 10-year period, overlaid with the costs that LTD was incurring for maintenance. He asked how many buses were currently in LTD's fleet. Assistant General Manager Service Delivery Mark Johnson said there were 110 buses in the current fleet. He said 12 years was the life of a bus, although districts often ran them longer.

Ms. Smith asked if that varied by type of bus. Mr. Johnson said it did. He said the hybrid buses were starting to age out and the hybrid systems were very expensive to repair.

Mr. Nordin commented that LTD's fleet included articulated, hybrid diesel, hybrid gas and electric buses and some of those technologies were much more expensive to keep running. He asked if those vehicles would be replaced by electric buses as they aged out of the fleet, resulting in lower maintenance costs. Ms. Jackson said transit vehicles typically stayed on for 16 to 18 hours once they were started, which created significant wear. Before electric buses were readily available to the transit, the most sustainable option for replacement buses was hybrid diesel. She said those buses were now over 10 years old and maintenance costs for the hybrids was much higher than the maintenance costs for aging diesel vehicles. She said ideally LTD could transition to an all-electric fleet, which could potentially have lower maintenance costs, but no all-electric transit bus had yet reached its useful life of 12 years and no data was available. LTD had committed to 10 electric vehicles and was part of a nationwide coalition to monitor the use of electric vehicles in the transit industry, including maintenance costs as those vehicles aged.

Ms. Shew explained how the \$39.6 million in working capital in FY 2016-2017 was used. She said \$24 million was restricted to capital projects and service had been increased prior to fully implementing the payroll tax increase.

Ms. Shew said in addition to closely monitoring payroll tax revenues, the structural imbalance was being addressed by securing a line of credit, restoring \$4.2 million in federal formula funds to the budget for operations, and increasing revenues through advertising on EmX lines.

Ms. Smith asked under what circumstances the line of credit might be used. Ms. Shew said Board policy required a two-month operating reserve of approximately \$8 million. In the event funds were needed, the Board would be asked whether it wished to use the line of credit or the reserve.

In response to a question from Mr. Yett, Ms. Jackson said that advertising was handled through a contract with an outside agency. She said the three-year contract was competitively bid for revenue. Purchasing Manager Collina Beard said the contract would expire in August 2018 and would be rebid to include EmX bus advertising, which was not a part of the current contract.

Ms. Shew said in addition to increasing revenues, addressing the structural imbalance also included efforts to decrease expenditures by making service changes to improve efficiencies, replacing the aging fleet, headcount reductions through attrition and reducing controllable expenditures such as training, travel, professional services and vendor contracts.

Ms. Shew said LTD budget consisted of five self-balancing funds:

- General Fund (operating and non-operating budgets)
- Capital Projects Fund

- Accessible Services Fund
- Medicaid Fund
- Point2point Fund

Ms. Shew said creation of the funds provided greater transparency and accountability to have all of the resources and expenditures for a particular service in one fund. She reviewed the details of each fund, including resources and requirements, sources of assistance, revenue and categories of expenditures.

Mr. Yett questioned whether the line of credit should be shown as General Fund assistance because if it was used it would have to be paid back. He felt it distorted the picture of what was available. Mr. Wildish added that if the line of credit was used it would also generate a cost.

There was a discussion of how best to show the line of credit in the General Fund as a resource. Ms. Shew said it would need to be shown in a way that allowed the fund to be balance. Ms. Jackson said staff could research how other transit agencies handled lines of credit within their budgets as it was a common practice in the industry.

In response to a question from Ms. Reid, Ms. Shew said the goal was to manage the budget in a way that avoided using the \$1 million line of credit. Ms. Jackson explained that in the event of a major recession staff would ask the Board to adjust appropriations and transfer the line of credit and account in the budget for the cost.

Ms. Reid pointed out that if expenditures occurred exactly as set forth in the budget it would be necessary to use the line of credit and if that was not the intention it should be explained in the budget. Ms. Shew said that if there was no intent to use the line of credit either expenditures or reserves would need to be reduced by \$1 million.

Committee members discussed why a line of credit was needed, whether it could be eliminated in favor of lowering the amount of reserves required, circumstances when those funds might be used. There was general agreement that it made sense to establish a line of credit well in advance of any need that might arise.

Ms. Shew continued with a review of General Fund revenues, noting fluctuations in passenger fares. She described changes in LTD's organizational structure merged functions and reorganized roles for greater efficiency, better communications and easier decision-making.

Mr. Nordin asked if information technology (IT) positions would be filled. Ms. Shew said an IT assessment was currently being conducted to determine LTD's future IT needs and that would determine what the staffing levels should be. Ms. Jackson said a procurement process was under way to fill immediate IT needs with contracted services in the interim and hire a consultant to conduct the assessment. Ms. Beard provided further details of the types of services to be procured

Ms. Wick asked if the vacant bus operator positions related to the proposed service cuts. Ms. Jackson said that a projected number of operator positions would not be filled based on the hours of service reduction. Vacancies would occur through departures and retires from employment. Staff would present to the Board at a future meeting proposed service cuts to meet the \$2 million service reduction threshold. She said service cuts would be recommended in areas

where service was not as productive. She said lifeline services where residents were transit dependent and productive service would be preserved.

Mr. Nordin asked if contracting agencies to provide RideSource type service in areas that would not be served otherwise had been considered. Ms. Jackson said the current recommendations for cutting service related only to reducing non-productive service, not finding an alternative to providing that service. She said an assessment of transportation options available to LTD and strategies for providing better services would begin next week and could eventually be used to reduce costs.

Ms. Reid noted increases in the costs of ATU and administrative personnel at the same time reductions in staff were occurring, specifically with bus operators. She asked if that resulted from the recently ratified ATU contract. Ms. Shew said the increases were primarily the ATU contract and healthcare costs. Retirement plan contributions by LTD had also increased as part of the Board's direction to continue to reduce unfunded liabilities in pension plans.

Ms. Reid said it would be helpful to have information that illustrated the ATU contract changes, such as an increase in healthcare costs, from one fiscal year to the next to compare to the reduction in employees during that same period. Ms. Jackson observed that the ATU contract contained a strategy for containing healthcare costs.

Ms. Shew reviewed the history of healthcare cost increases and details of distribution of positions within the organization and personnel costs, including salaries, wages and benefits. She noted that 83 percent of positions were dedicated to service delivery. She explained the strategies being used to reduce the unfunded liabilities in pension plans.

Ms. Shew reviewed General Fund materials and services expenditures, noting that new infrastructure had increased cleaning and utilities costs and the aging fleet resulted in increase maintenance and repair costs. She pointed out other areas in which expenses had been reduced and reviewed transfers from the General Fund to the Capital Projects, Accessible Services, Medicaid and Point2point funds.

Ms. Wick asked if the anticipated efficiencies from implementation of the Novus software had been realized and could be sustained. Mr. Johnson said that after some initial startup problems, the software was functioning well and efficiencies had reduced the amount of General Fund dollars that were transferred to the Accessible Services Fund.

Ms. Shew reviewed the Capital Projects Fund resources and expenditures. She pointed out a slight reduction in planned expenditures from the original Capital Improvement Program (CIP) approved by the Board, due in part to a delay with the Santa Clara Community Transit Center project.

Mr. Nordin asked if the \$3 million grant of ConnectOregon funds would be impacted by delay of the Santa Clara project. Ms. Jackson said the grant had been awarded and LTD had entered into an agreement with the state to receive the money. The grant funds would be expended within the grant period, even with the project's delay.

Ms. Reid commented that the large increase in planned expenditures for technology, infrastructure and systems was for a new fare management system.

Ms. Shew said Accessible Services Fund expenditures were flat, with a slight decrease in the amount of the General Fund transfer. She said the least cost/most appropriate mode model had been effective in reducing trips costs and would continue to be used.

Ms. Wick inquired about initiatives to encourage people with disabilities to utilize the fixed route system. Ms. Jackson said LTD had several programs to assist people with using the fixed route system, but could not mandate they do so if they qualified for paratransit services. Mr. Johnson said LTD's programs provided training and assistance to ride the bus and transit hosts at the main stations provided further assistance.

Mr. Wildish hoped LTD could work with local jurisdictions to improve safety and accessibility around transit stations, which would also encourage people with disabilities to use the fixed route system.

Ms. Shew continued with brief reviews of the Medicaid and Point2point funds. She pointed out that Point2point personnel were now being charged to that fund instead of to the General Funds and then reimbursed by Point2point dollars.

COMMITTEE DISCUSSION/POLLING OF COMMITTEE MEMBERS — In response to a question from Ms. Reid, Ms. Jackson said Point2point positions were shown on page 45 of the budget for purposes of showing the total headcount, but on page 64 those positions were shown with expenditures for salaries in the Point2point Fund.

Ms. Shew said LTD staff time was often split among funds as they worked on different projects and activities while Point2point staff did not and their salaries were shown exclusively in the Point2point Fund. Ms. Jackson said staff was still looking for ways to be more transparent about staff functions and funding sources.

Ms. Reid suggested that a footnote in the budget could explain that while that Point2point positions were shown in one section of the budget without funding for purposes of a headcount and the organizational structure, the positions were shown as funded in another section to avoid confusion about whether the program had been discontinued.

Ms. Reid asked why Human Resources had no changes in the number of positions but an increase of about \$110,000 in administrative costs. Ms. Jackson said the increase was a result of a two percent bridge payment and several positions were subject to the pay equity law. Director of Human Resources David Collier explained that the law required standardization of salaries of comparable character within an organization.

Mr. Wildish observed that the 18 percent increase was a significant salary increase among a small number of positions. Ms. Shew said she would research the matter.

Mr. Wildish expressed concern that the budget assumed LTD would receive \$2.5 million from HB 2017, but those funds would not actually be available until July 2019. Ms. Jackson explained that while the funds would not be available until July 2019, expenditures beginning July 2018 would be eligible for reimbursement as with any other grant. She said state projects were expected by the end of the week and would confirm that anticipated HB 2017 funds were aligned with LTD's

budget. She described options that would be presented to the advisory committee for HB 2017 funds and strategies for projects depending on the committee's recommendations.

Ms. Shew summarized her notes from the committee's discussion:

- Survey other transit agencies to determine how they presented a line of credit in their budgets and modify the budget presentation based on that information
- Develop a graph of the age of the fleet over five to 10 years, with maintenance costs overlaid
- Add a footnote explaining how Point2point positions were shown in the budget to clarify how they were transferred to the Point2point Fund from the General Fund
- Research the discrepancy between the same number of Human Resource positions and the increase in wages
- Correct a typographical error on page 57
- Determine why administrative expenses for pension plan were lower in FY 2017
- Increase the font size on pie charts
- Establish a line of credit so it was available even if it was not utilized
- Consider and discuss more opportunities to reduce costs by encouraging more people with disabilities to use the fixed route system instead of RideSource services

Ms. Shew said the committee could approve the budget as presented, amend the budget or request an additional meeting for further discussion.

Committee members discussed how the line of credit should be shown within the budget, how those funds might be used and whether the Board should be asked to consider reducing the reserve by \$1 million.

MOTION APPROVAL OF CAPITAL IMPROVEMENTS PROGRAM — Ms. Cline moved to accept the budget as proposed and recommend to the LTD Board of Directors that the line of credit be eliminated as a resource and reduce the reserve requirements to \$7 million. Ms. Smith provided the second.

VOTE The motion was approved as follows:
AYES: Bruebaker, Jody Cline, Don Nordin, Kate Reid, Jennifer Smith, Kim Thompson, April Wick, Gary Wildish, Carl Yeh, Steven Yett (10)
NAYS: None
ABSTENTIONS: None
EXCUSED: Kortge, Necker (2)

ADJOURNMENT

Ms. Bruebaker adjourned the meeting at 7:37 p.m.