MINUTES OF DIRECTORS

STRATEGIC PLANNING WORK SESSION

LANE TRANSIT DISTRICT

SPECIAL MEETING

Monday, December 7, 2009

Pursuant to notice given to *The Register-Guard* for publication on December 3, 2009, and distributed to persons on the mailing list of the District, the Board of Directors of the Lane Transit District held a strategic planning work session on Monday, December 7, 2009, in the LTD Board Room at 3500 East 17th Avenue, Eugene.

Present:

Board
Mike Eyster, President
Greg Evans, Vice President
Dean Kortge, Secretary
Ed Necker, Treasurer
Doris Towery
Mike Dubick
Gerry Gaydos

Budget Committee:
Jon Hinds
Donald Nordin
Edward Gerdes

Staff
Mark Pangborn, General Manager
Stefano Viggiano, Assistant General Manager
Diane Hellekson, Director of Finance
Mary Adams, Director of Human Resources and Risk Management
George Trauger, Director of Maintenance
Tom Schwetz, Director of Planning and Development
Andy Vobora, Director of Service Planning, Accessibility, and Marketing
Steve Parrott, Information Technology Manager
Charlie Simmons, Facilities Services Manager
Jeanne Schapper, Administrative Services Manager/Clerk of the Board (Recording Secretary)
Todd Lipkin, Financial Services Manager
Carol James, Chief Accountant/Internal Auditor

CALL TO ORDER AND WELCOME: The meeting was called to order by Board President Mike Eyster at 2:04 p.m.

Mr. Eyster welcomed those present; and Board members, Budget Committee members, and LTD staff introduced themselves. Gary Gillespie, who will be joining the Board in January, introduced himself.

Mr. Eyster stated that the purpose of the session is to provide staff with direction on issues that will affect the budget for the next fiscal year.

STATUS OF CURRENT YEAR BUDGET: Ms. Hellekson referred the Board to the December 2008 strategic planning session. That discussion focused on the current recession, and the worst case scenario prediction at that time was that payroll tax receipts would be down perhaps one to two percent. The hope was to survive the recession by cutting service. That cut was averted because LTD used $3.2 million in American Reinvestment and Recovery Act (federal stimulus) funds to offset operating expenses. One year later, a very deep recession has been confirmed, and payroll tax receipts are 12 percent below the previous year.

More will be known in February than is known now in terms of payroll tax receipts. By then it also may be better known if there will be another wave of stimulus money in the coming year. The Oregon Economic and Revenue Forecast has been incredibly depressing during the last 12 months. There are now hints of optimism, however. According to the report, using 2007 as a jobs base, it will be 2013 before Oregon recovers the jobs held in 2007. It is predicted that the state will still see job losses through the next calendar year. Therefore, payroll tax receipts, which are based on the number of people working, will be a major concern for LTD. There may be a 2 percent increase in jobs by the end of 2011; but, because of the number of companies and agencies that have used furloughs and scaled back hours to cut payrolls, the first recovery will be to restore those hours, not to create new jobs. The state may experience a very high unemployment rate extending through 2010.

This recession is deep. It is not similar to the one that occurred in 2001/2002, which was relatively shallow. This recession is similar to the one that occurred in the 1980s. As a result of that recession, LTD cut 30 percent of service.

Seventy to seventy-five percent of operations is funded by the payroll tax. If payroll tax receipts are reduced, it follows that service also will be reduced. Other reductions will be explored as well.

As previously allowed by Oregon Revised Statutes, and in accordance with LTD Ordinance 40, the payroll tax rate is scheduled to increase to 0.66 percent in January 2010, and by 0.01 percent every year thereafter, until reaching the 0.7 maximum 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 can only be taken after the Board adopts a finding of economic recovery, which seems very unlikely through 2011.

Staff recommend assuming a January 1, 2013, implementation of the payroll tax increase, which would require Board action to amend the payroll tax statute sometime in the fall of 2012.

Mr. Pangborn added that because Board action is required in Fall 2012, the Board would need to have a sense of purpose in late spring or summer of 2012. That would be indicated by a sense in 2011 that the economy was improving. The last time LTD increased the payroll tax, a private economic consulting group was commissioned to determine if the community was coming out of a recession and if it would be reasonable to assume that the current economic conditions would continue for some time. The study provided the Board with some substance upon which to make its decision. The political decision, however, is asking the local payroll tax payers (the business community) to be able to sustain an increase in the amount of taxes they will pay over a ten-year period. The increase goes up .0001 each year. The message goes to Chambers and business groups with the hope of receiving an "O.K." from the business community. If a decision were to be made in October 2012, the consulting group would need to be commissioned in the spring or summer of 2012 in order to have data by fall. The data then needs to be relayed to the business community in order to provide them with the opportunity to give feedback regarding the increase.

Mr. Dubick added that it appeared the District is assuming that job losses will bottom out during the last quarter of 2010. In order to implement a change in 2013, about a year and a half of jobs returning and economic upturn would be needed before attempting to make a case to the community. Mr. Dubick indicated his support for the 2013 implementation date.

Mr. Gerdes reported that he had just returned from a restaurant finance industry conference. The economists at the conference were projecting that by the end of next year, national unemployment will be at 14 percent, which is much higher than is being experienced by the local community at this time. In other words, those economists were quite pessimistic about where the economy was heading. Mr. Gerdes indicated that Payroll Tax Receipt Option 1, which indicates that receipts would decline 10 percent, is too optimistic. Putting that assumption with the options for implementation of the payroll tax rate, it would make sense to do an increase when more money is needed, and the rate would need to increase sooner so that fewer services would need to be cut; and not build on the idea of adding additional services in 2013 to match the 2007 job numbers.

Mr. Pangborn reiterated that with the rate increase, either the amount of cuts will be reduced or service will be added. Nevertheless, the Board has to find that the economy has recovered sufficiently to sustain the rate increase. The recovery may not be sufficient to avoid service cuts, and the argument would be that implementing an increase would avoid having to cut more service.

Mr. Gerdes asked about the criteria used in determining when and if the local economy were improving sufficiently to warrant a tax increase. Ms. Hellekson answered that it is assumed that the consultants used in the future study would use the same criteria as was used in previous studies. It would not be a return to the previous standard, however.

Ms. James added that during the last study, the consultants had reviewed growth of jobs and payroll, unemployment rate, housing starts, and possibly retail information—basically the economic indicators that were being discussed in the press at the time.

Mr. Pangborn added that when the press reports indicated an improvement in the economy, LTD staff began conversations with, and requested feedback from, the two Chambers concerning increasing the payroll tax rate and what the money would be used for. There was some reluctance on the part of some community leaders, but, overall, the response was supportive. Ms. Hellekson commented on the timing of the last report: the report was commissioned in winter, the report was available in the spring, the Board reviewed the findings during the spring meetings, and the summer was spent selling the information to the community. The ordinance was modified in the fall.

Ms. James mentioned that she believed the report cost approximately $7,500.

In response to a question from Mr. Eyster, Mr. Gerdes said that he believed that Oregon would be hit harder economically than the rest of the nation.

In response to a question from Mr. Evans regarding economic projections, Ms. James reported that one payroll tax payer that is substantially larger than everyone else announced in April a $17 million operating budget reduction. This resulted in a substantial reduction in payroll tax receipts to LTD for the past quarter. Of the next ten largest payroll tax payers, two have gone out of business and another substantially reduced its business operations. It is unknown if and when those jobs may come back. Of the remaining payroll tax payers, most are cutting budgets in some way. Construction jobs are difficult to track since one job may have 15 contractors.

Mr. Gerdes said that he believed there will be a greater drop in payroll taxes; therefore, more cuts will happen sooner. He recommended a 2011-2012 implementation and to set specific criteria that will determine when the economy has turned around.

In response to remarks from Mr. Necker, Ms. Hellekson reiterated that this afternoon's meeting is set in order for the Board to give staff direction regarding possible service and budget reductions. Service Planning staff need a good deal of time to investigate and develop alternative service packages.

Mr. Hinds stated his belief that 2014 is too late and 2011 is too early to sell anything to the business community. He favored 2012 for the rate change implementation.

Ms. Towery added that in the new year, the District will have more information, including the outcome of the ballot measures that will be voted upon and will help determine the political arena. Mr. Gillespie mentioned that the Cities and the County are considering the impact of possible reform of Measure 50 during this next legislative session.

Mr. Evans reminded the Board that any service reductions will have a major adverse impact on the transit dependent, which, in turn, affects employers. Many employees won't get to their jobs if they don't have a bus that will get them to work in a reasonable amount of time. Mr. Evans added that he hears from employers that believe LTD needs to provide more service, rather than less service.

FEDERAL, STATE, AND LOCAL REVENUE:

Federal: Mr. Viggiano stated that the surface transportation bill **(**SAFETEA**-**LU**),** a six-year bill passed by congress, expired on September 30, 2009. Since that time, a continuing resolution has been in effect, extending the funding at the same general rate as the expired bill. The current continuing resolution expires December 18, 2009. Sometime between now and then, congress will need to take action to extend the resolution. There is little possibility of a new transportation bill being developed any time soon—probably not until 2011. Congress will probably approve continuing resolutions that will extend until the new bill takes effect. One- or two-year, stimulus-type funding that has been mentioned is separate from the transportation bill; it will be in the form of a jobs/transportation bill, which will be similar to stimulus funding and is in addition to the regular transportation funding. Only 6 percent of stimulus funding went to transportation; however, it was learned that the stimulus funding that went to transportation was most effective in creating jobs. Accordingly, the bill that is being discussed now would put a greater percentage of funding towards transportation. The House will begin discussing the bill this month; the Senate is absorbed in the health bill discussion, so it is not expected to review the jobs/transportation bill until January or February. By that time, the District should have a better idea if there will be additional funding and, if so, what the amount will be. If approved, the bill would provide additional formula funds that can be allocated in any way that fit the rules of the program. There also will be some discretionary funds for which LTD can apply. In February the District should have an idea of any anticipated federal funds and also current payroll tax information and will be in a better position to determine the service package. The recommendation for the current Draft Long-Range Financial Plan is that no funding from these sources be assumed. The District has been transferring some federal formula funds received and using them for preventative maintenance, which is an operating cost. Mr. Viggiano added that If and when a new transportation bill is approved, it is likely to have more emphasis on transit, than the recently expired bill. For example, the House bill had 20 percent of funding going to transit, compared to 15 percent in the old bill, SAFETEA**-**LU.

State: A total of $32 million per biennium for Elderly and Disabled Transportation was approved statewide by the 2009 Legislature. (LTD's allocation of the $32 million total is $1.2 million per year.) Most of those funds ($20 million) were through the Surface Transportation Program (STP), which are federal funds that are received through the State; and the Oregon Transportation Commission determines what portion is distributed to transit. That funding appears fairly stable. However, the $10 million from the State General Fund is vulnerable if the income and/or corporate tax ballot measures are rejected by voters in January. In addition, as a General Fund expenditure, the funding requires approval by the legislature every session, which puts continued funding in jeopardy. The gas tax will likely start in January 2011, and LTD will receive a small portion. Due to constitutional restriction, the gas tax revenue generated from vehicles can't be used for transit; however, revenue generated from the gas used for other equipment, such as lawn mowers, can go to transit. That could amount to $2.2 million statewide for the biennium.

Staff recommend Option 2: to assume that the general fund money will not continue beyond this year, but that the STP will be a continuing source of revenue for LTD. That may be a conservative assumption because legislators indicate a commitment to finding a replacement revenue source for the loss in $10 million general fund money. A medical cap deduction may be discussed in the next legislative session, but if not, certainly in 2011.

Local: Some of the STP federal money that is allocated by formula comes to the state, with some going directly to metropolitan areas greater than 200,000, which includes Eugene-Springfield. These funds are Surface Transportation Program-Urban (STPU). The local Metropolitan Policy Organization (Metropolitan Policy Committee) decides how to allocate the funds, whether for roads, pedestrians, or transit. For the past year, LTD has been discussing with partner agencies a $500,000 allocation to transit, which could offset some operating costs in order to maintain service. Staff are fairly optimistic that $1.5 million in STP-U funding will be allocated to LTD during the next three-year period. The staff recommendation is to not assume any other local funding.

Mr. Eyster added that LTD voluntarily passed on its STPU request this year, with the understanding that the funding request for transit would be made during the coming three years.

Board members expressed agreement with the recommendation, with the understanding that the issue would be revisited in a couple of months.

FARE CHANGES: Mr. Vobora gave an overview of the proposed fare changes. Fares account for between 15 to 23 percent of operating revenue. The 2008 fare changes were a deviation from a policy that's been in effect since the 1980s for small, incremental rotating fare price increases. LTD deviated from that policy twice: once during the 2001-02 recession, and in 2008, with across-the-board changes to the fare structure. Fare increases also adversely affect the Group Pass Program. Royal Caribbean has dropped the program; and PeaceHealth is also considering dropping the program, which amounts to a $270,000 loss of revenue. Agreement was just recently reached with the UO regarding the current year contract; the UO is just beginning the budget process for next year.

In response to a question from Mr. Necker, Mr. Vobora indicated that price increases can suppress demand. When service is cut, buses may be filled beyond capacity, and pricing can suppress demand. However, staff did not feel that it was the right time to raise fares significantly.

It is desired to return to small, incremental fare increases. There were no fare increases this year, so staff recommend Option 3, which is small pass increases in 2010, followed by a change in cash fares the following year.

Mr. Vobora described the new fare management system, which would involve upgrading of the fare boxes. The newer boxes count change, verifying the amount paid. The system can be upgraded to recognize payment cards. The advanced systems allow tracking of riders.

The Board indicated its concurrence with the staff recommendation.

CAPITAL IMPROVEMENTS PROGRAM (CIP): Mr. Lipkin stated that the practice of programming funds in the Capital Improvements Program (CIP) for the preventive maintenance program began with the 2010-2017 CIP. Projects were cut or deferred to free $1 million per year. When combined with the engine kits/tire funding that was previously in place, a total of $1.2 million was programmed annually for preventive maintenance. During the CIP drafting process, $2 million in uncommitted funds remained. This amount has been programmed into the first four years ($500,000 per year) of the draft CIP to fund additional preventative maintenance. The draft plan assumes that essential capital needs are funded, including bus replacement. Mr. Pangborn added that buses are typically replaced at 15-18 years, which is three to six years beyond their life expectancy. The recommended budget scenario proposes borrowing money for bus replacement and then paying off the loan over a twelve-year period.

Mr. Lipkin stated that staff recommend programming $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 preventative maintenance. The Board concurred with the recommendation.

GERRY GAYDOS' FAREWELL: Board President Mike Eyster thanked Mr. Gaydos for his years of dedicated service to LTD and to the community and presented him with a wooden bus, to which Mr. Gaydos replied that he preferred an articulated bus. Mr. Gaydos also was presented with his formal portrait and a plaque listing his years of service on LTD's Board.

Mr. Pangborn stated that Mr. Gaydos is the epitome of the dedicated Board members that have served over the years. The District will miss him dearly.

Mr. Gaydos responded that the LTD Board and staff are outstanding, have a sense of mission and purpose, and have dedicated themselves to helping the system move in a very positive direction. He added that LTD has accomplished a lot in its fairly short life, including being on the threshold of innovation such as bus rapid transit. The District should be commended as a good steward of public dollars and for its service to the community. There are challenges ahead, and Mr. Gaydos stated his confidence that LTD would meet the challenges squarely.

BREAK: The Board recessed from 3:36 p.m. to 3:52 p.m.

Mr. Evans left the meeting at 3:50 p.m.

FUEL COST: Mr. Trauger indicated that fuel prices seem to have settled down, but still fluctuate periodically. On July 10, 2009, fuel was lowest at $1.20 per gallon; the highest price was $2.20 per gallon on October 22, 2009. Tyree Oil is storing 450,000 gallons of LTD's fuel in a tank in Coos Bay at a cost of $1.68 per gallon and is being used as a buffer to manage fuel costs. The stored fuel has a shelf life of 18 months; however, the addition of stabilizers can increase the shelf life somewhat. Nevertheless, at some point, the fuel needs to be drawn down. Without including the fuel stored in Coos Bay, the cost per gallon for fuel has averaged $2.00 per gallon during the past five and a half months, which was the amount budgeted. Currently the price is fluctuating between $75 and $85 per barrel (approximately a 14 percent increase). The price for fuel is projected to be about $2.30 per gallon. In addition, Oregon has now mandated a 2 percent biofuel mix, which equates to an additional $.02 to $.05 per gallon.

It is difficult to predict future prices for fuel; there are too many variables. Staff recommend assuming an average price of $2.35 per gallon (15 percent increase), with 5 percent increases in future years.

Mr. Kortge asked that if fuel purchased at $1.68 is used for half the next year and the District has to pay $2.35 for the other half of the year, shouldn't the budget reflect the average at around $2.15? Isn't the recommended assumption of $2.35 per gallon too high? Mr. Lipkin responded that, given the price fluctuation the past year (reaching $4.00 per gallon), the recommendation may not be too conservative.

The Board thanked Mr. Trauger for his report.

PERSONNEL COSTS:

Personnel Services: Ms. Adams reported that the two areas of personnel-related expenses, pension costs and personnel services costs, would be discussed separately. Personnel Services is related to wages and insurance. LTD is currently in the third year of a three-year collective bargaining agreement that called for a 3.6 percent increase in wages during this fiscal year for represented employees. Non-represented (administrative) employees have had a salary freeze during the past year. What is happening in the health care industry also affects personnel services. Five years ago the District moved to a different health care model, which includes a higher deductible plan with a health savings account of one form or another. Since that change, the District has experienced relatively low premium increases—less than a 22 percent increase over the four years prior to this last year. During the current year, the District has experienced a couple of relatively expensive claims and LTD's premiums increased dramatically—a 15 percent increase this year alone. It is expected that the contract year for the health plan will probably be more expensive in this next year as well. One of the recommendations that staff are making reflects the 15 percent increase in cost for health care. The 15 percent premium equates to a 2.5 percent increase in the total cost for personnel services.

The second option assumes that a way to reduce the cost of the health care plan is found. The third option assumes wages and health care costs both increase. The conservative first option that staff recommend to the Board assumes no wage increases for any staff (administrative or represented), and continue with the 15 percent health care increase this next year with a 10 percent increase in the following years.

Ms. Towery asked about a brokerage firm to investigate the District's options for health care. Ms. Adams responded that the District uses a broker model. A request for proposal is put out for the health plan each year. The broker negotiates with carriers, and staff are confident that LTD's broker is getting the most competitive rates.

Mr. Gerdes asked about self-insurance rates. Ms. Adams mentioned that LTD went to the self-insured model for dental two years ago, and, so far, the District is dollars ahead. Dental has a much lower risk, and it is much easier to predict what will happen with the plan. Staff reviewed the self-insurance model for medical this past year because it was likely that rates would go up. It was decided not to go in that direction this year because claims are more unpredictable than they've been in the past. The idea could be revisited in the future. Through negotiations with the broker, LTD was able to stay at the 15 percent increase cap under which it currently operates.

Mr. Kortge cautioned LTD as a public agency on being self-insured, since a rash of bad claims can result in extremely high reinsurance rates, and the risk would be quite public. Ms. Adams said that the District is focusing on wellness and preventive measures to increase employees' overall health and potentially lessen claims.

Mr. Gillespie suggested that this topic be revisited in the spring when the outcome of the national legislation on health care is known, including what the public option looks like.
Mr. Dubick proposed another option: assume an increase in personnel costs of 2.5 percent, but not specify how it's distributed, allowing some flexibility with wages and benefits—especially with forthcoming union negotiations.

Ms. Towery asked that staff survey the local community to determine common wages and benefits. It would not sit well in the political arena if LTD were to increase wages and benefits and cut service, while other public and private sectors are taking active measures to reduce budgets by reducing wages and benefits—sometimes significantly. Mr. Pangborn reiterated that more current information will be brought back to the Board regarding these issues.

Mr. Gerdes agreed with a certain percentage increase assumption, but without allocating it to a specific benefit. However, he suggested a range in the proposal: negative 2.5 percent to positive 2.5 percent, a range that assumes administrative cuts that reflect what is happening in the private sector.

Pension Cost: LTD has two pension plans: one for union employees and one for administrative employees. Staff recently received the actuarial assessment for the salaried plan, which revealed that LTD's contribution will go up about 1.5 percent of payroll. The assessment for the ATU plan will be done in 2011. All options reflect the 1.5 percent increase in the Salaried plan. The question is what to assume for the represented plan.

The first option assumes no increase in the ATU plan contribution at this time; the second option assumes up to a 3 percent increase, and the third option assumes that the contribution will increase by more than 3 percent.

Both plans are underfunded, which means that more needs to be contributed to rebuild both plans. This has been done incrementally over time in order to reduce the unfunded liability. That is why no reduction is recommended in the contribution. Staff recommend Option 2.

Mr. Pangborn added that this is not assuming any increase in benefit. Both plans are defined benefit plans, per contract and employment law for public employees.

Mr. Kortge reiterated that LTD uses a 7.5 percent growth rate. He reported that at a recent national benefits conference that he attended, it was strongly suggested that a 5 percent increase should be assumed. Dropping 2 percent off actual growth assumptions, LTD should be funding 8 percent more than what is being discussed. Perhaps the assumptions are too conservative.

Mr. Eyster indicated that the staff recommended assumption would have to do for now. Ms. Hellekson added that better indicators of what the assumed percentage should be will come in the spring. Mr. Pangborn affirmed that all options, including possibly moving sometime in the future to a defined contribution plan, will be reviewed, and viable options will be brought back to the Board in the spring.

Mr. Gaydos left the meeting at 4:35 p.m.

RIDESOURCE COST: Mr. Vobora indicated that some cost factors are down, which could be related to the brokerage efficiencies. More will be known after receipt of the brokerage first-year report is received in late spring/early summer. Staff have been able to leverage state and federal grants, which is hoped will continue. If it does not, a move back to coverage through the general fund would be required. RideSource ridership is continuing to increase.

Staff recommend Option 2: assuming the District maintains the current growth rate of approximately 10 percent annually based on more recent growth trends.

MATERIALS AND SERVICES COSTS: Mr. Pangborn indicated that a reduction in service is needed since there is insufficient money to fund the current level of service, and service is where the bulk of LTD's funds are spent. Staff reviewed all of the components of LTD's budget for materials and services, and Mr. Pangborn briefly introduced some of the priorities for maintaining activities and services. He indicated that staff feel, however, that it's "penny wise and pound foolish" to not continue some basic kinds of training, asset preservation, staffing, etc., to maintain basic services. Nevertheless, staff are continuing to look for other ways to save that are beyond service cuts.

The conundrum with the next budget is the implementation of the next EmX extension in January 2011 (essentially adding service) at a time of service reduction elsewhere in the system. One year of the new extension equals $1 million of additional service. The commitment of EmX has been made to the community and will be carried out.

Mr. Kortge indicated his support of staff training and its value to the organization. He indicated that any cuts in that area should be reviewed carefully.

BUDGET REDUCTIONS/SERVICE LEVEL: Ms. Hellekson referred the Board to the Long-Range Financial Plan (LRPF) handout. The upper model assumes a 10 percent reduction in payroll tax receipts, or $20,500,000; assumes no growth in Year 1; and 3 percent, 4 percent, 5 percent growth in years 2, 3, and 4, and 6 percent growth per year thereafter. The second model assumes slightly more optimistic payroll tax receipts in the first year, $21,500,000. The District is required to maintain $3 million in reserves at all times. That figure comes from: 1) LTD is self-insured for the first million dollars in catastrophic accidents. In a bad year, cash would need to be on hand to cover excess losses. 2) Protection against an interruption in the current year in payroll tax of $1 million in current year working capital. If that was spent in one year, another $1 million would be needed in working capital for the subsequent year. This is a dramatic deviation from previous years' policies, which were 25 to 40 percent of operating expenses, requiring considerably greater reserves. The Board had decided to reduce reserves, partly due to sustain fixed-route service stability and partly because it felt that the payroll tax was a stable source of local revenue.

In the first model, a $3 million service reduction is indicated in Year 1, followed in Year 3 by a $3.5 million service reduction. Due to pressure from the community to maintain service, making the larger cut the first year was not considered.

Mr. Vobora said that service planners are using the 15 percent cut scenario that was developed this past year during that budget crisis as a foundation for service cut scenarios for this next year. Staff are targeting an approximate 20 percent reduction in service for this next year. Additional percentages of service cuts also will be examined as part of a possible second level of cuts. These scenarios will be shared with the public in early January to receive feedback. The public process will be more condensed this time than last time, ending around April, in order to prepare for fall implementation.

In response to a question from Mr. Kortge, Mr. Lipkin added that a 20 percent reduction equates to roughly $2.7 million.

Mr. Kortge clarified that the $5.25 million one-time reduction shown in the first model of the LRFP reflects an approximate 40 percent reduction in service. Mr. Vobora confirmed, adding that other system changes would be involved in the larger cut such as service on fewer days of the week, shorter service hours, and cutting administrative and system support.

Mr. Lipkin added that both LRFP scenarios reflect a $3 million cut in Year 1, with the understanding that there are a lot of unanswered questions, such as possible stimulus funds, that will be revisited. Mr. Pangborn added that the first scenario reflected a $6.5 million cut over three years. Spreading the cuts over a time gives the opportunity to consider funding sources that may be coming during the time, along with the possible upturn of the economy. On the other hand, taking a full $5 million cut in the beginning is quite radical and possibly preempts possible positive factors. The $3 million cut, followed by the $3,5 million two years later is a “middle of the road” view. Another difficult casualty of cuts is losing the newer drivers--those that have just been trained and are committed to the future of the organization.

Mr. Pangborn added that service cuts come in packages. A 20 percent cut may not be viable; it may be 19 or 21 percent.

Ms. Hellekson reiterated that any major service reduction requires major community outreach, including public hearings, which takes time.

Mr. Kortge added that this process should involve Board members and staff reaching out to city councils and letting them know what is happening. Mr. Eyster agreed and expressed doubt that the councils would be surprised at the current situation. Ms. Towery agreed, adding that, just from the political environment, the more proactive the organization is, the better—especially since they represent LTD’s funding source.

Mr. Hinds reminded the Board of the importance of getting the message to the Metropolitan Policy Committee (MPC) as well. Mr. Vobora responded that staff have visited with the MPC Citizens’ Advisory Committee, the Transportation Policy Committee, and Springfield Public Works concerning EmX service and possible service changes. Staff also will hold open houses throughout the District in order to gauge the sentiments of the public. Input will then be returned to the Board Service Committee for recommendations to the full Board. Mr. Vobora added that staff had recently met with TriMet staff to see how they dealt with implementing service cuts at the same time they were opening the new MAX line. Since the Portland community loves rail, that process went pretty smoothly for TriMet, which is not quite the same situation that LTD is facing. Salem-Keizer Transit (SKT) recently had a major restructuring (including cutting Saturday service) of a system that was in place for its entire existence. The system is now corridor-based and much more efficient than it had been. SKT’s funding source, in some ways, is more stable than LTD’s.

Mr. Necker added that LTD’s message should include the fact that EmX helps to retain service, covering neighborhoods that had previously needed three lines to cover. Mr. Pangborn added that, if this addition is as successful as the first EmX line, LTD will be carrying more people and spending the same money as it would have going elsewhere into the community.

Mr. Lipkin asked for clarification on the options: the Board is recommending the staged cuts and the $3 million cost reduction assumption. The Board members concurred.

ANNOUNCEMENTS: There will be no Board meeting in December.

ADJOURNMENT: The work session was adjourned at 5:03 p.m.

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Board Secretary