MINUTES OF DIRECTORS

STRATEGIC PLANNING WORK SESSION

LANE TRANSIT DISTRICT

SPECIAL MEETING

Friday, December 10, 2010

Pursuant to notice given to *The Register-Guard* for publication on December 2, 2010, 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 Friday, December 10, 2010, at the Northwest Community Credit Union in Springfield.

Present:

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

Budget Committee:
Jon Hinds
Donald Nordin
Edward Gerdes (arrived 12 noon)
Peter Davidson (arrived 9:12 a.m.)
Warren Wong (arrived 11 a.m.)

Staff
Mark Pangborn, General Manager
Diane Hellekson, Director of Finance and Information Technology
Tom Schwetz, Director of Planning and Development
Mary Adams, Director of Human Resources and Risk Management
George Trauger, Director of Maintenance
Charlie Simmons, Facilities Services Manager
Andy Vobora, Director of Service Planning, Accessibility, and Marketing
Steve Parrott, Information Technology Manager
Joe McCormack, Facilities Project Manager
David Collier, Senior Human Resources Analyst
Jeanne Schapper, Administrative Services Manager/Clerk of the Board (Recording Secretary)

CALL TO ORDER AND WELCOME: The meeting was called to order by Board President Mike Eyster at 9:06 a.m.

Mr. Eyster welcomed those present, including Board members, Budget Committee members, and LTD staff, and thanked everyone for taking time from busy schedules to do the important work scheduled for the day. He stated his appreciation for the dedication and commitment demonstrated by staff in the extensive effort put into preparation for this meeting while also managing other issues affecting the District.

Mr. Pangborn thanked the Budget Committee members present, Donald Nordin and Jon Hinds, and indicated that Warren Wong, Peter Davidson, and Edward Gerdes were expected to join the discussion during the luncheon portion of the meeting. Mr. Pangborn introduced a citizen guest, Bob Macherione. 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.

GENERAL MANAGER RECRUITMENT PROCESS: Mr. Eyster indicated that eight firms applied to do the executive search. The Executive Search Committee narrowed the possibilities down to three firms. Mr. Collier, Mr. Evans, and Mr. Eyster interviewed prior customers of the three firms. All three finalists will be interviewed again. Responding to a question from Mr. Kortge, Ms. Hellekson indicated that the firm that was used in the last executive search did not apply this time. The Board agreed that the Executive Search Committee will interview the three finalists on December 21 and select the firm. Mr. Collier indicated that the interviews would be interactive using the Skype virtual communication system with the Committee interviewing the firms directly via camera displayed on the overhead screen. Mr. Eyster invited the other Board members to attend the interviews. A final interview will be arranged with the firm selected. After the firm is selected, representatives of the firm will begin meeting with the Board members and staff.

BOARD ACCESSIBILITY: Mr. Pangborn said that the Board has received feedback from the community concerning establishing a more easily accessible location for Board meetings. Currently, meetings that are significant in terms of public input, such as public hearings during the annual route review or when fare increases are being considered are held downtown at the Eugene Library. Interested members of the public can provide testimony, Planning staff record that testimony, and integrate that input into plan updates. Public feedback on this process has been very positive. From a staff perspective, Mr. Pangborn suggested that the process continue.

Mr. Pangborn checked with other public agencies, including the City of Eugene, school districts, Lane Education Service District, and Eugene Water and Electric Board, and found that none of them moved their meetings outside of their headquarters. He has not heard any feedback from the public that these locations were inappropriate. After this research, Mr. Pangborn concluded that LTD's current position seems in line with accommodating the public process.

Mr. Pangborn indicated that another issue involved televising meetings. This could be done at both the library and at LTD's Glenwood facility, but at a substantial cost. The cost per meeting at the Library is just under $500; and the cost for set up at Glenwood would be just under $1,000.

Mr. Eyster asked about radio broadcasting, indicating that that 4-J Schools broadcast on its radio station. Mr. Necker asked about LCC's radio station. Mr. Pangborn stated his belief that it was already overloaded.

Mr. Gillespie offered that City meetings are generally broadcast after the meeting has concluded.

Mr. Pangborn said that he understood that this issue came up about six months ago and he has not heard any negative feedback from the community since that time. The public process (open houses, public hearings, etc.) seems to satisfy the community's needs.

Mr. Gillespie cautioned that the Board Room at Glenwood may not have the capacity for a large crowd. He suggested that the Next Stop Center at the downtown bus station could be utilized. He asked about video streaming. He said that he has not had much input on the matter from the public.

Ms. Towery indicated her support for keeping the current location since it is right on the EmX line and more accessible than most public entities meeting locations. She added that there is no cost to where the Board currently meets and not spending more public dollars on extras at this time of economic recession is important. Mr. Dubick agreed, adding that the Glenwood location seems right in the middle of the District, neither favoring Eugene nor Springfield. He said that video streaming should be something that is reviewed in the future as the budget allows since the public could review the meeting when convenient. This process would not favor community members who live in the metro area; access to all would be more equal.

Mr. Kortge stated his belief that the District's current process was quite effective. He cautioned that there would be a cost involved in video streaming, which is above LTD's budget and responsibility to the public, which is to provide bus service.

Mr. Parrott estimated that the cost for video streaming would be approximately $2,500 per meeting.

Mr. Gillespie asked about something that would be accessible by logging onto the internet. He indicated that the Oregon Health Sciences union video streams its meetings and he didn't believe it cost $2,500. Mr. Parrott responded that it depends on the quality of the video source that is desired. The more people participating, the more focus on the speaker is needed. The cost will focus on the equipment to track a person's voice, or the camera operator to focus on the speaker. A Skype-quality meeting can be set up with a camera centrally-focused in the room, but ability to discern voices may be questionable. The $2,500 was based on Eugene City Council and County Commissioners' cost models.

Mr. Schwetz drew attention to the accessibility of City Councilors since they may be contacted directly by e-mail. Is that a model that the Board would like to review since it would change how the District communicates.

Mr. Necker said the video broadcast would address the image of public transparency; however, he indicated his support for the basic idea mentioned earlier: LTD's responsibility is to get people on the bus.

Mr. Eyster said that Mr. Schwetz's point was that public access at Board meetings was not the only issue. Ms. Schapper indicated that Board e-mail is set up such that it goes through LTD and staff are able to respond on the Board members behalf while keeping the Board member abreast of customer concerns. Board members' LTD e-mail accounts are available on LTD's website; Board members' personal contact information is not available for public view. Ms. Towery pointed out that the public can contact a Board member directly if they so wish.

Mr. Schwetz pointed out that the City of Eugene has set up an infrastructure that allows for easy access to councilors, such as phone numbers, and message machines. Mr. Schwetz is not necessarily suggesting this process for LTD; he is only pointing out that this is the process the public may be more used to.

Mr. Pangborn indicated that this may be the City of Eugene's culture and not necessarily that of the City of Springfield's or other public agencies. He suggested that it could be possible to schedule yearly forums or open houses for each subdistrict that would allow the public to speak to their representatives directly. Ms. Towery's voiced support for town hall meetings.

Mr. Gillespie cautioned that the City of Eugene's process requires a great deal of staff time, and he was concerned about the time commitment this would put on LTD staff. Mr. Gillespie also added that a meeting on the University of Oregon or Lane Community College campuses may be in order since such a large percentage of ridership is students.

Mr. Eyster provided a summary of the Board's collective response: If the topic is anticipated to be controversial, and/or public involvement is anticipated, those meetings would be scheduled at an alternate location downtown or at a location where a large constituency exists. He added that it may be of benefit to create a Citizen Advisory Committee (CAC) that meets periodically and provides feedback to the Board.

Mr. Evans mentioned that his experience has been low turnout to town hall events. Staff time and resources were dedicated to these events, and one community member would show up. He didn't believe it would be a good use of time and resources. He said he believed that it would be of greater benefit to the District to have a CAC that meets quarterly and provides input from the business community and riders. This would allow for Board decision making based more on the "pulse of the community."

Mr. Nordin suggested promoting LTD's Facebook page as more of an interface. Mr. Dubick suggested that community members have more access than they may realize. Mr. Gillespie referred to LTD's Facebook consistently to read about ARRA funding, with 13 people commenting on the last entry. So there is access.

OREGON'S GOVERNMENT ETHICS LAW: Ms. Schapper referred the Board members to the *Guide for Public Officials* that was included with their meeting packets. The Oregon Legislative Assembly enacted changes to Oregon's Ethics Law in 2009. Various public hearings followed. When all issues were settled, the Oregon Government Ethics Commission (OGEC) issued the *Guide* in October 2010. The purpose of the ethics law remains the same: to prohibit the use of a public official's position to gain a financial benefit or avoid a financial detriment that would not otherwise be available but for the official's position.

One of the main changes involves the definition of "legislative or administrative interest," which has an emphasis now on the decision or vote of the person who holds a position as a public official, and no longer an interest in the governmental agency.

The next main change relates to the definition of "entertainment" and the gift limit. The gift limit remains $50 per person; however, entertainment is no longer specifically excluded. Public officials are now allowed to receive entertainment as a gift, but it would be subject to the $50 gift limit. Mr. Pangborn clarified that if entertainment is provided as an incidental part of the meeting or event, the gift limit would not apply. He emphasized that Oregon's ethics law are more restrictive in general than in other states'.

Ms. Schapper indicated that the Annual Statement of Economic Interest would be coming directly to Board members in March; they are due to the OGEC by April 15.

ELECTRONIC BOARD PACKETS: Mr. Parrott said that LTD has a number of training laptops that could be utilized at Board meetings. The wireless internet reception in the Board Room could be improved so that access to an electronic Board packet could be available for Board members via laptop computer through an Adobe reader. Information Technology staff plan to have the Board upgraded early in 2011. This would eliminate the need for paper packets. Board members would be provided the link to the electronic packet for viewing (or printing) prior to the meeting.

Mr. Evans referred to Dallas Area Transit Authority who already uses the process and it works very well. Mr. Dubick emphasized the savings to the environment and added that this process brings LTD into the 21st century. The Board members indicated their collective support of the idea.

PENSION PLAN STATUS UPDATE: Ms. Adams indicated that staff have been exploring alternative plan designs in conjunction with the labor agreement. No pension plan changes were made with the one-year labor agreement that was just approved and expires in June 2011; however, the issue will be part of the discussion during the next bargaining cycle. She emphasized that the labor agreements are usually a three-year contract.

A defined contribution pension model was included in opening discussions with the Amalgamated Transit Union (ATU). The Union did not seem interested in changes to the pension plan, and the focus of the discussion was on the changes to health care. Nevertheless, through pension work groups, a lot of useful actuarial data was gathered that may be used in future discussions with the ATU. The time restrictions that exist with the bargaining cycle do not exist with the Salaried Employees' Plan. After the first of the year, the District will begin the same actuarial assessments of the Salaried Plan.

Mr. Kortge said that issues are complex regarding defined contribution plans. The advantage to a defined benefit plan is that investors (staff) do not have to be sophisticated in understanding investing. He indicated his reluctance to transition rapidly from a defined benefit to defined contribution as it could waste employees' money. The transition should be done in a way that protects employees' retirement.

Mr. Pangborn clarified that LTD's defined benefit plan is similar but not exact to the State's Public Employees Retirement System (PERS). What has not been tested legislatively is whether a current plan for employees may be unilaterally changed. With a labor contract, it may be negotiated. With administrative staff, can an arbitrary decision to change the plan be made? Whatever decision is made concerning changes to PERS could affect the future decisions made by LTD. Neither pension nor healthcare costs are sustainable in the long term, and adjustments need to be made.

Mr. Davidson requested a copy of the actuarial annual report. He added that conversations are going on at the national level to promote transparency on the public side.

In response to a question from Mr. Necker, Oregon PERS is a state-wide plant that is managed by a state-wide board. LTD's plan is a private plan that LTDadministers throughits own trustees. LTD's attorney, Everett Moreland, is involved in pension discussions and will advise LTD trustees as plan changes are discussed.

Break: The Board called a break from the meeting from 10:09 a.m. to 10:34 a.m.

2011 LEGISLATIVE SESSION: Ms. Adams introduced Doug Barber with Lobby Oregon, who is working with LTD to represent the District's interests in Salem. There is a lot of uncertainty in this legislative session and in legislative leadership.

Mr. Barber indicated that the big change is on the House side, which is a 30/30 split. The two caucuses are still trying to figure out the power sharing arrangement. The big news this week is that House Democrats chose Arnie Roblan of Coos Bay as their speaker nominee; the Republicans chose Bruce Hanna from Roseburg. They are both part of a larger negotiating team that is trying to define the rules regarding the shared power. The committees also are under review. Legislators seem optimistic as to the power sharing arrangement in that there will be co-chairs in each committee. This indicates the need for bipartisan agreement in the process. Transportation is one of the broad areas, and public transit in particular, does have support on both sides. That does not mean that it will be easy to promote transit supporting legislation.

Broad guidelines indicate that the State budget is $3.5 million in the red. Budget cuts will dominate the session, and everything that LTD wishes to accomplish has a price tag. Getting the first piece of funding for West Eugene EmX Extension (WEEE) was successful in the last session because it was from the lottery fund rather than the general fund. It is predicted that there will be a shortage of lottery bonds this coming session. It is predicted that $75 million will be available, of which LTD wants $8.4 million. Given the support for WEEE funding in the last session and unanimous support from the delegation, LTD is in a good position to move forward.

Another unknown on the House side is who the co-chairs will be.

In response to a question from Mr. Necker, Mr. Barber said that he did not know Co-Speaker of the House Arnie Roblan's interest in transit concerns, other than he's never been on transit committees. However, Co-Speaker of the House Bruce Hanna has generally been supportive of transit; although he's also supportive of no increased revenue. Issues such as elderly and disabled funding will be more challenging since it's a new funding source that would require a revenue-enhancing vote.

Mr. Pangborn indicated that both legislators share concerns regarding rural communities; and transit, specifically elderly and disabled, could play into that; however, the issue is funding. Mr. Hanna has made it clear that he does not support additional funding for fixed-route transit.

Mr. Necker identified the senior medical tax deduction as a funding source. Mr. Barber said that he understood that proposal would be back during this next session. Representative Terry Beyer will introduce the bill for the transit side; there also will be bills introduced that address only the revenue side. Mr. Barber explained the senior medical tax deduction: seniors age 62 and older may deduct first dollar health care expenses from their Oregon tax returns. The cost to the State for this deduction is expected to rise sharply during the next biennia: this biennium estimated cost is $25 million; in 2011-13, the estimate is $30 million; the following biennium is $37 million. A proposal will be made to slow down the rate of increase and keep that money into the general fund. To move forward, the savings need to be linked to providing other senior services. Unfortunately, senior service groups seem unable to get together to form a general consensus on where the savings would be allocated. This seems to stall any legislative progress.

In response to a question from Mr. Evans regarding interfacing local transit with rail connections that ODOT is purchasing, increasing I-5 corridor runs; Mr. Barber indicated that the funding opportunity that may present itself concerns veterans' transportation. There is money at the federal level for veterans' medical transportation, so ODOT and VA are suggesting making better usage of the existing brokerages that serve the Medicaid and senior populations. Perhaps they could serve the veterans as well, be more efficient with federal dollars, and offset the skyrocketing elderly and disabled transportation costs.

Mr. Kortge suggested that this opportunity could provide greater funding for the Call Center since it receives funding for the veterans and Medicaid populations. Mr. Pangborn indicated that brokerages were difficult since organizations will favor the needs of their members. The brokerage needs to balance all needs and customization is deferred in favor of efficiency. If they can afford it, agencies will offer customized service. Now the agencies are running out of money and are joining the brokerage. The veterans, however, are reluctant to join, even though the brokerage service is more efficient. Therefore, the outlook for this funding opportunity is questionable.

Mr. Barber indicated that there is discussion of pilot projects. A hearing is planned for next week on the issue. He added that there is discussion about pulling Medicaid brokerage out of the local brokerage and creating a statewide Medicaid brokerage. Consequently, all of the work done in Lane County concerning senior services would be pulled apart. The rationale is that Medicaid money will be saved; although, in the entire system, it will cost more overall.

Mr. Barber indicated that the 2011 Session will begin on January 10 with swearing in ceremonies and the inauguration. There will be a couple of days of committee meetings, followed by a recess until February. The session will be about three weeks shorter than in the past. There will be a quick pace, and bills will move faster.

In response to a question from Mr. Gillespie, Ms. Adams said that she is not aware that the ATU has a state agenda for this session. They seem to be focusing on the national agenda, which is to get more funding for transit at a federal level. The other item on the ATU's national agenda is to increase the percentage of capital funds that can be used for Operations.

In response to a question from Mr. Kortge regarding WEEE funding, Mr. Barber indicated that decision makers are waiting for a "Build" decision on the project before LTD receives the $8.4 million. If there is a "No Build" decision, the money goes away. If the decision is uncertain by May or mid-June, the money could be in jeopardy. If the decision is "No Build," the $1.6 million that was received in 2009-2011 will need to be returned. Ms. Hellekson confirmed that the $1.6 million is contingent on a “Build” decision. The $1.6 million has not been spent.

Ms. Adams added that the Oregon Transit Association has a legislative committee on which LTD participates that meets once each month. The lobbying members meet once a week. Mark Johnson represents LTD on the Eugene Chamber Legislative Committee. Mary Adams chairs the Springfield Chamber Legislative Committee. There are a lot of opportunities to keep LTD abreast of current activities in the Session.

In addition, arrangements are underway for a meeting with local delegates during the short recess in late January.

In response to a question from Mr. Evans, Ms. Adams reported that she believes that Governor-elect Kitzhaber supports transit as a part of his natural resources/environmental agenda. Mr. Schwetz recalled the former governor’s investments in the process of transportation funding. The governor was involved in the Willamette Valley study that was focused on transportation. He may receive his transit perspective from the Portland area.

Mr. Pangborn added that funding for transportation for middle and high school students is funded through the Business and Energy tax credit. If that tax credit goes away, the school pass program goes away. Mr. Barber indicated that pressure is on for legislators to restructure the program. Problems never have been related to transit. The concern is that transit could be collateral damage during the restructuring. He added that legislators have shown interest in forming a transit caucus.

Mr. Pangborn iterated that periodic reports will be given to the Board during the 2011 Legislative Session.

Lunch Break: The Board called a break from the meeting from 11:27 a.m. to 11:55 a.m.

CURRENT YEAR BUDGET UPDATE:

Long-Range Financial Plan: Ms. Hellekson reviewed the general assumptions made in May 2010. Some assumptions may have been too optimistic. No growth in the payroll tax was previously assumed for the current fiscal year; and then growth by 3 percent, 4 percent, and 5 percent in the next three years, and then 6 percent thereafter.

Also assumed was $2.40 per gallon for fuel in the current year. That was too low. Last year the estimate was more accurate since the District was able to draw down reserves from the storage tanks in Coos Bay, keeping the cost to around $2/gallon that was budgeted. For this year, $2.40 was budgeted. The price is already at $2.38 through five months. Estimates for the year have grown to about $2.56.

The estimate for payroll tax turned out to be fairly accurate thus far. A year-to-year comparison is favorable since an error by the Dept. of Revenue took away $347,000 at the beginning of the last fiscal year.

Bus Purchase: Ms. Hellekson reported that LTD was successful in its application for two grants related to green technology for vehicles. LTD received all of the first $5 million request and $3.3 million of the second $5 million request. As a result, the first two bus purchases in the Capital Improvement Program (CIP) will not be debt financed. The previously proposed debt financing was to leverage federal formula funds, which translates to $4 million or so, assuming the legislation is approved. These funds can be used for debt service on a capital purchase. If the funds are not needed for a bus purchase, they may be used for preventative maintenance. This applies to mechanics salaries or facility expenses. Funding these expenses with 80 percent federal funds and 20 percent local match frees up general fund money that can go to service.

A sizeable additional service reduction was predicted for Fall 2012. Because of this new bus money, no service reduction is now anticipated for Fall 2012. In fact, it's possible that the service reduction could be deferred to 2014 or 2015, or perhaps omitted altogether.

Capital Improvements Program: Ms. Hellekson referred the attendees to the CIP that had been handed out earlier. It contains actual planned projects as well as illustrative projects that are not necessary for day-to-day operations, but would be of considerable benefit should funding be found. The amounts to fund these projects are not included in the Funding Totals in the CIP.

The first illustrative project is the Glenwood Facility Remodel. Mr. Simmons reported that the remodel plans have changed in that there is no longer a complete remodel planned, but would be completed in stages over an approximate five- to ten-year period. Also planned in conjunction with the remodel is an overhaul of the Heating and Air Conditioning (HVAC) system, also to be done in stages. It may be the most expensive component of the remodel. Mr. Pangborn pointed out that the HVAC upgrade that was done with the Maintenance Facility remodel produced a savings of $3,100 per month, which is operational money.

Referring to the CIP handout, receipt of a substantial amount of federal funds is assumed. Receipt of state lottery funds also is assumed.

Other illustrative projects include additional Park & Ride facilities, and a fare management system for the entire fixed route system that matches the system currently used by the Franklin EmX corridor. It eliminates the substantial Finance cost of emptying fare boxes and counting money.

Though very much desired none of the three illustrative projects are essential to LTD's long-term success. Staff recommend that the CIP not fund illustrative projects at this time.

In response to a question from Mr. Eyster, Ms. Hellekson reported that there has not been a Board decision on a fourth EmX corridor; therefore, it is not included in the current year funding totals.

Mr. Dubick stated his support for keeping the three illustrative projects as just that, as it takes pressure off of the budget.

Service Level: Mr. Vobora brought the Board up to date with service changes that have occurred since the service reductions were implemented in June and September 2010. He announced that the reduction in service level does not reflect a reduction in passenger trips. LTD's productivity (boardings per service hour) has increased to approximately 65 boardings per hour, system wide, versus 55 before the implementation of the service reductions. Ridership has been down by only 4 to 5 percent and is improving. There is definitely demand for service. However, buses are running late and are full, leaving people at stops. Staff are making additional changes in the system to help people make connections and reduce these difficulties for riders. Staff did review scenarios if additional changes in the system become necessary. If there were a $3.5 million deficit, eliminating some or all of weekend service would only provide a savings of 66 percent of the needed funds. Staff recommend keeping current service levels, which would not cause further hardship on customers.

Payroll Tax: Ms. Hellekson reported that payroll tax assumptions may have been too optimistic. The news reports that Harry and David jobs are gone, and the Hynix plant still sits empty. It is doubtful that Country Coach will ever open with the jobs it had before. There is an improvement in construction because of the local bridge projects and the new UO arena, and those are Davis-Bacon jobs. No more erosion in the tax base is being seen; in fact, small steps up are seen.

Assuming flat for this year seems entirely realistic or too pessimistic, in that there may be a $200,000 improvement over what was estimated, which will go to fuel. The previous recommendation was to take the out years down 1 percent, which may be too optimistic. There are still opportunities in the out years to make corrections.

What has been assumed based on previous discussions with this group is that the earliest likely finding of economic recovery would be Fall 2013, which is consistent with state economic reports. However, the recovery may not happen until 2015; but the direction would have been established two to three years from now as the country pulls out of the recession.

Mr. Davidson said that option 2, and also the 2013 date, were reasonable. However, reducing weekend service also weakens the public's ability to grow the work force by not enabling those populations reliant on bus service to get to their jobs.

Ms. Hellekson said that the payroll tax rate statute that was in effect prior to 2009 gave LTD a ten-year window to increase the rate to .07 percent, which will sunset on January 1, 2014. The revised statute from 2009 started the ten-year window on January 1, 2010. This means that if a finding of economic recovery happens in Fall 2013, two steps, rather than one, could be taken in one year. For example, two steps could be done on January 1, 2014, and another two steps on January 1, 2015. That was not what staff proposed.

When the payroll tax rate began increasing a few years back, two steps were done in the first two years, and then it was settled back to one. After the tax rate slowed, negative feedback from the business community diminished. The proposal is to keep the pattern of increasing the payroll tax by one step each year until the new limit is reached, which doesn't necessarily need to happen by 2020. The proposal is more conservative, but it's an effort to balance the needs of the District with those of the business community.

Mr. Evans pointed out that the District has limited political capital at this time, and it is not expected to increase in the next few years. The difficulty is in that service reductions come at the same time as the District is explaining how implementation of EmX will enhance service and reduce future service reductions. The District has not done a very good job of communicating this information.

Mr. Gillespie supported the conservative approach. Whenever service reductions are made, it reflects poorly on the service that is delivered. The public view is that LTD is cutting fixed-route service in order to pump up EmX. This is, of course, a false connection; however, that's the perspective. It's difficult to help the community understand that the two services have two different funding streams. Maintaining as much service as possible is the approach to take.

Mr. Kortge emphasized the importance of keeping expenses in line with current revenue, rather than asking for new revenue. He stated his reluctance to raise the tax rate, unless a real reason exists to ask for more taxes. He stated his support for a conservative approach.

Mr. Dubick said that there are too many unknowns from an economic standpoint. Later implementation and a more conservative estimate before the growth of the tax base are approaches that make sense. To take one step increase each year, once economic recovery is established, makes sense, but that approach should not set in stone.

Ms. Towery echoed Mr. Dubick's opinion in support of a more conservative approach. She was concerned about revenue from future projects once current projects are finished in the next couple of years. When increasing the payroll tax, the District should be mindful of the stress the economy has already put on businesses that have continued to pay the tax, and the reasonable time they would need to actually recover.

Mr. Hinds was in agreement with Ms. Towery's assessment. He said that LTD needs to build on the value of the EmX service to the business community—including promoting its value to economic development, as well as moving people from one end of Springfield to the west end of Eugene.

In response to a question from Mr. Gerdes, Ms. Hellekson said that the $8.3 million in new grant money allows conservative estimates in the out years and less of an impact on service. She referred to the Long-Range Financial Plan (LRFP). Option 2 assumes that illustrative projects are not funded. Previously it was assumed that in Fall 2012 there would be need for a $3.5 million service reduction. There is no service reduction that year in the current LRFP. Instead, there is a $3.9 million service reduction in year 4, assuming that all capital projects are funded. Not funding illustrative projects (Option 2) moves the service reduction out to year 5 and drops to $2.7 million. Perhaps with five years advance notice, the problem can be addressed successfully.

Mr. Wong indicated his support for Option 2. He cautioned against assuming economic recovery as early as 2013 due to international, national, and local uncertainties.

In response to a question from Mr. Gerdes, Ms. Hellekson clarified that the .07 percent tax rate is reached in year 3, January 1, 2014; and then in year 4, the rate is .71, and so on. However, if a finding of economic recovery is not reached in year 4, the .07 percent would remain. Mr. Pangborn clarified that the District had until 2020 to begin the process of moving towards .08 percent.

Federal, State, and Local Revenue: Ms. Hellekson said that there is considerable pressure in Washington, DC, to restructure ear marks. In the short term, the District has seen fewer ear marks and more competitive grants. This trend is expected to continue.

Mr. Pangborn said that the District has been successful in the past in receiving ear marks for the bus maintenance facility, etc.; but with diminishing earmarks, the funds are transferred to the Federal Transit Administration (FTA), and they distribute the funds in the form of competitive grants. LTD has not been successful in the past in receiving grant funds for buses. The District was successful in its application for $8.3 million in FTA's TIGER and TIGGER grants, funds which were used for bus purchases that would not have been available otherwise and improved the budget. If earmarks are eliminated, the FTA would be able to grant more money to LTD for bus purchases. He referred the Board to the Capital Improvement Program (CIP) in 2014-15 that showed $14 million in competitive grant money is proposed for bus replacement. LTD has a good reputation with the FTA in spending grant money appropriately.

Ms. Hellekson reported that special transportation did fairly well in the past legislature; however, $800,000 less is expected in support of accessible services because of the current state budget woes. She added that the BETC will be vulnerable in the future.

Mr. Pangborn reported that grant applications have been submitted for construction of a new UO station, and Point2point has applied for funds for direct marketing for alternative transportation. It's a new source of money and quite competitive. There is no guarantee that LTD will be successful in these efforts.

Ms. Hellekson reported that there are no local funding possibilities. LTD does have the ability to issue general obligation bonds, revenue bonds, transit utility fees, and other forms of debt issuance. General obligation bonds need a tremendous amount of lead time due to the voting process. This plan doesn't assume any of these things.

The Plan assumes that there will be a 5 percent reduction in formula funds in the new Surface Transportation bill; and after that one-time reduction, the rate will grow at 2.5 percent per year. Staff also recommend assuming no new discretionary funding for operations, which is preventative maintenance. Staff recommend budgeting an additional $800,000 in General Fund money to replace state funds in support of accessible services, and that will grow at a rate of 10 percent. Growth rates in excess of 10 percent, however, have been seen.

Also assumed is $1.5 million in Surface Transportation Program (STP-U) funding for local bonds. Mr. Gillespie verified that this amount is $500,000 per year over three years, and is guaranteed.

Mr. Eyster relayed that elected officials have said that transit needs another source of funding; however, no one has any suggestions for a revenue source. He stated that the District should not make any assumptions in this regard at this time.

Ms. Towery stated her belief that the District will receive a great deal of political good will since the opening of the Gateway EmX. This will demonstrate the value of the significant investment made: ridership increase, increases in business capital along the corridor, etc.

Fare Changes: Mr. Vobora iterated LTD's intent to rotate fare increases and service reductions. In this spirit, there were no fare increases in 2010, and staff make the same recommendation for the next fiscal year. The next fare increase would likely occur in July 2012.

Ms. Towery reflected on how families are already struggling and indicated her support of Option 1.

Mr. Hinds recommended waiting until after the Gateway EmX corridor production has been established, allowing for that positive change in the system to be absorbed by the community. Consider a fare increase after that. He also recommended making the fare amount easier to pay; e.g., $1.75 instead of an odd amount of $1.65.

Personnel Services Cost: This amount includes wages and insurance. Ms. Hellekson announced that a one-year agreement was reached with the ATU, retroactive to July 1, 2010, including a wage freeze. The agreement continues all existing benefits with the exception of health insurance. Retirement costs increased a little bit. The District has moved to a health plan that covers all employees, which allows for some containment of costs. The overall net increase cost for a driver's wages and benefits is 2.3 percent. This increase was entirely attributed to the cost to maintain the retirement benefit and to the change in health insurance, which was 7 percent. The LRFP assumes an annual 5 percent increase in health care costs.

Administrative employees are in their second year of a wage freeze, along with unpaid furlough days. It should be noted that union-represented employees now have a wage freeze, but have never had a wage reduction, which is represented by the furlough days that the Administrative employees are experiencing. Merit pay for Administrative employees also was cut in half. Staff recommend that furlough and merit pay restrictions are lifted, but a wage freeze continues for all employees through the next year, and then modest growth thereafter.

Mr. Eyster stated his understanding that staff already put in excess of forty-hour work weeks, and adding furlough days on top of that cannot be sustainable.

Mr. Wong stated his support for the staff recommendation as it is consistent with what's happening with Social Security, the federal government, etc. He was concerned, however, that Administrative wages were below market base and are still frozen. He cautioned that the District could lose staff as the economy improves.

Mr. Gillespie said that the pension, retirement, and health care benefits could offset a wage difference in moving to a new job. He said he felt that continuing a wage freeze in the next bargaining session would move the parties to arbitration.

Ms. Towery said that when the City of Springfield did its last compensation study, the City found that it was way below market value for comparable jobs. Ms. Hellekson reported that LTD's last compensation study was done in 1997.

Mr. Pangborn expanded the discussion. He said that compensation studies have two effects: 1) If salaries are below market value, then employees want to know when salaries will be increased to be in line with market. The District needs to be in a financial position to support pay increases. 2) If the study reports that employees' pay is over market, then the community has received confirmation to the general belief that public employees are overpaid. Employees are now unhappy as their wages are being frozen until the market catches up. Mr. Pangborn stated his belief that generally LTD wages are in line with the local market, which also is experiencing wage freezes. If LTD embarks on a study, it needs to be in a position to deal with the consequences—especially if it's done during a time of service reductions.

Ms. Hellekson reported that a bus operator's pay at the top of the scale is about $46,000.

Mr. Gillespie reported on a study of state, local (city, county, etc.), and private industry wages and benefits. State employees were the lowest paid, but had the better benefit package. Local employees were better paid than state employees, but paid less than the private sector; and they had generally better benefits. State employees were about 6 percent under market, and other public employees were about 2 percent under market. Private employees were the best paid; however, benefits put everyone at about the same overall level.

Considering the historic low turnover at LTD and, with the current economic climate in the community in general, the Board members expressed support for the staff recommendation.

Pension Costs: Both the Union-represented employee plan and the Salaried plan have unfunded liabilities. The actuarial assessment reports that the Union plan is 51 percent funded.,
Staff recommend adding an additional 10 percent ($300,000) annual contribution to the plans over the actuaries' recommendation. The effect of this increase is not known, but is presumed to be positive. What is known is that if the $300,000 is spent on the pension plans, the District has to reduce funds for something else. If the choice is made not to make the additional contribution, the $2.7 million deficit in year 5 of the LRFP will be lower.

Another option to consider involves other post employment benefits (OPEB), which are future costs of retiree benefits that have been promised but not as yet paid. In the past, those benefits have been paid on a cash basis as they occur. Eventually the government wants these benefits treated the same as pensions. At this point, LTD is not obligated to fund OPEB, but is required to disclose it. Staff are proposing that LTD fund these benefits, which would pull funds out of Operations that could support service.

It should be noted that if debt were not considered in the life of the plan, it would probably be a lower risk to ignore the OPEB numbers, but companies that are not setting these funds aside are going out for a debt rating and finding that is considered a risk. Companies need to demonstrate that these plans can be paid for five years from now as well as today.

In response to a question from Mr. Eyster, Mr. Kortge said that pension investments are distributed fairly evenly according to risk.

Mr. Pangborn added that the actuary's computations of the current plan reflect that, given a 7.5 percent annual return; the unfunded liability will be built back in the next 20 years.

Mr. Kortge supported adding the 10 percent additional contribution. He voiced his doubts that a 7.5 percent return will be realized during the next 10 years.

Mr. Wong commended staff for efforts to address the unfunded liability issue with the 10 percent additional contribution. Nevertheless, he said that he would feel more comfortable if the plans were funded at 80 percent. He mentioned states, municipalities, and school districts that are on a cash basis with their pension plans. It is incumbent on the Board to build up the pension plans' funding. It's the District's fiduciary obligation.

Mr. Gillespie suggested a bonding operation as a source of revenue.

Mr. Davidson recognized that the proposal is an actual liability. The question involves debt financing of capital equipment or debt financing of the pension plans. He stated that he favored funding the additional 10 percent contribution over the actuarial assumptions. Considering inflation, today's financing rates are considerably lower. Comparison should be given to the cost of money in today's market versus the ability to earn money in the future.

The Board members and Budget Committee members generally expressed support of the staff recommendation, Option 2, which is an additional contribution of 10 percent over the actuarial recommended pension contribution for both pension plans to help reduce unfunded liabilities in both plans.

Ms. Hellekson explained OPEB in more detail. If an organization provides a health benefit to retirees, that creates a future obligation. Typically, the rate is determined and budgeted for annually. However, LTD only budgets for the current year expense, not the following year nor the year after, which is how the budget for the pension plans is determined. The Government Accounting and Standards Board wants companies to create a separate fund that covers these benefits into the future. Currently the District is required to disclose the liability, but is not obligated to fund it differently. Debt rating organizations, however, review this benefit the same as pension plans. Staff are proposing an annual contribution to this fund: $100,000 in Year 1, and gradually increasing the amount until the entire obligation is fulfilled.

Mr. Davidson voiced his support of the recommended additional $100,000 contribution.

Mr. Pangborn clarified that LTD pays $250 per month for retirees until they reach age 65, the age the individual would be eligible for Medicare benefits. The retiree pays the difference in the insurance premium. At age 65, LTD pays $125, which reflects an exact dollar amount rather than a percentage of the premium. This amounts to $140,000 annually.

The other part of the obligation is the actuarial assessment that LTD is paying at a higher rate because retirees have higher utilization rates.

In response to a question from Mr. Gillespie, Ms. Hellekson confirmed that this payment is a supplement of the payment for medical insurance; however, it's not Consolidated Omnibus Budget Reconciliation Act (COBRA). Ms. Adams clarified that LTD receives the bill for the insurance premium and charges the employee for the difference between the $250 subsidy and the cost of the plan. It's a tiered plan: individual or individual and spouse. It's one subsidy, regardless of the premium.

Mr. Kortge asked if the payment system went to the retired employee in a different way, would the actuary still say that LTD has a liability. For example, if LTD would pay the retiree a flat $250 per month and advise the retiree that he/she would pay the remaining insurance premium to stay on the plan. Ms. Hellekson confirmed that LTD is not required to keep retirees on the plan. In fact, some agencies split retirees into a different plan due to the higher costs and charge retirees for the higher premium.

Mr. Wong supported an annual contribution to address the unfunded liability. He referred to State law requiring government agencies to offer retirees the option to purchase health insurance from the agency until they are Medicare eligible. He questioned continuing the additional benefit. He asserted that fewer agencies or private employers are providing health insurance benefits to retirees. He suggested Tier II - discontinuing this benefit to new employees and a renegotiated contract.

Fuel Cost: The budgeted $2.40 per gallon has not proven realistic; nor has an inflation factor of 3 percent. It is speculated that the average cost per gallon for the remainder of the year will be $2.56. It is difficult to forecast the inflation rate.

Mr. Trauger mentioned that bulk fuel prices for storage in Coos Bay have been erratic and higher than predicted. Currently the price is $2.48. There also is an additional premium charged for storage, which can be between $.50 and $1.00 per gallon. The storage capacity is nearly 800,000 gallons. Currently, with all additional charges, the price would be $2.88 per gallon.

Mr. Gerdes recommended Option 3, $2.80 per gallon, citing the current fuel charges on deliveries; and this may be too optimistic. Others present expressed support of Option 3, including purchasing fuel for storage.

Ride*Source* Cost: It is assumed that an additional $800,000 will need to come from the general fund for Accessible Services to replace state funds. Demand for RideSource ADA services continues to show a steady increase.

The Board expressed support for the staff recommendation: Option 2, an expenditure growth rate of 10 percent.

Materials and Services Costs: Ms. Hellekson explained that most of these expenses are not discretionary, such as fuel and contracted services. Mr. Parrott added that the Information Technology Department has seen an increase of between 5 and 10 percent with maintenance vendors; however, contractors are failing to respond to requests for the reasons for these increases. He reported that peers also are seeing these same trends and seem powerless to mitigate these expenses.

The Board agreed that there doesn't seem to be any opportunities to reduce costs for materials and services, but costs should continue to be closely monitored.

Break: A break was called from 2:10 p.m. to 2:25 p.m.

West Eugene EmX: Mr. Pangborn began with the discussion of the No Build arguments, which may be classified into three categories:

1) Taking any property will seriously damage business: Staff are responding to these concerns by considering mitigation designs.
2) Construction in the corridor will discourage potential customers from going down West 11th, and that will negatively impact business.
3) EmX is too expensive: a) spending $100 million on any extra service is a waste of money. b) It's too expensive because the plan is to put out more service. In doing so, it will cost more. EmX will provide more frequent service, and there is a cost to providing that service. Half of these additional costs will be owned by the District.

Mr. Kortge said that businesses like congestion because it causes motorists to slow down and enter their businesses.

Mr. Pangborn added that at some point, too much congestion causes people to take their business elsewhere.

Mr. Schwetz called attention to two kinds of congestion: 1) Good Congestion in that lane uses provide activities and vibrancy that people are looking for; and 2) Bad Congestion is the attempt to move people or commodities through a corridor unsuccessfully.

Mr. Eyster added that an additional downside to bad congestion is that people avoid the area altogether, taking an alternate route. Mr. Pangborn added that business owner Rusty Rexius said that he would prefer to redevelop his property into a mixed use and residential area, and bad congestion precludes business entrepreneurs from bringing business to the area. Highway officials also will say that there isn't enough capacity to add more people.

Mr. Evans said that there is a sentiment in the community that if EmX is extended into West Eugene, it would encourage sprawl, facilitating what is already happening in Northwest Eugene.

Mr. Pangborn moved the discussion back to the budget and focused the Board's attention on the budget spreadsheets. One of the benefits of obtaining $8.3 million in federal funds for buses is that it pushes the $3.5 million deficit into years 2015-16 and is reduced to a $2.7 million deficit. Five years is a long time, and a lot of things could change in that period of time. Worst-case scenario for adding West Eugene EmX (6th/7th/11th option) would add $1.7 million operational cost to the budget. The least cost Build option is about an $800,000 to $900,000. Even with that, there would remain a $1.7 million deficit.

Mr. Pangborn continued with options, which include:

- Not making payments to the pension plan of 10 percent as was discussed;
- Limiting the amount of money put into OPEB;
- Possibly increasing the tax base as was discussed;
- Recovery of the economy;
- Asking for more STPU funds. Currently LTD receives $500,000 per year from local funds to pay for operations. The District could ask for another $500,000, but that would involve a regional decision.
- Receiving more money in year 2015 to make the $14 million bus purchase.

Mr. Pangborn said that the primary issue is the fundamental role of LTD into the future, and where do fixed-route and EmX services fit into that vision. From a productivity point of view, the EmX routes that are in place have been extremely successful, far exceeding expectations; and passengers love the service. However, when a route is eliminated due to low productivity, those passengers would prefer the service they had rather than EmX because they are accustomed to depending on that service. This is a bigger picture than just EmX. Even with no EmX service into West Eugene, there may be service reductions. Some riders equate adding EmX with cannibalizing existing service. The focus should be the bigger interest of the community.

Mr. Kortge asked that the District let the community know that EmX is not costing what No Build supporters are alleging. Mr. Pangborn said that staff would come back with the necessary figures. He clarified that EmX does add cost because it is adding service. However, the assumption is that it generates more ridership, which makes the service cheaper.

Mr. Kortge reiterated the need for the figures since the argument is made that if LTD has $1 million to operate West Eugene EmX and LTD is in a budget deficit, then the $1 million needs to come from elsewhere in the budget.

Ms. Towery added that the focus should be on the cost per rider/cost per boarding, since it is a fraction of the cost. The cost per person for moving more people is significantly less. The argument people are making isn't about adding more service; they're arguing that too much money is being spent on high-tech EmX. The argument LTD should be making is that it is moving more people who are transit dependent, who need to get to jobs that may not pay a living wage so that they can provide for their families, and be connected to communities, at a fraction of the cost. LTD is doing a great service that reflects the community's values.

Mr. Dubick asked that LTD provide the figures that demonstrate the additional revenues generated by increased ridership, which would help make the message clearer. Also, the focus should be on changing service outside EmX as opposed to cutting service outside EmX. Connector routes to EmX should be explored in order for people to look at both pieces as part of one system.

Mr. Evans remarked on the views he hears from West Eugene riders who want more service down side streets to give more access to EmX. The District needs to communicate the benefits that extended EmX service to West Eugene will provide and how much penetration into the neighborhood system will be provided.

Mr. Schwetz said that the cost of the No Build alternative is forecast out 20 years, but does not reflect the current cost experience. The rule of thumb is that 1 percent service should be added annually just to keep up with increased demand. Staff are working on refining the set of cost relationships. Mr. Schwetz stated his belief that those figures will demonstrate that it is favorable for EmX to be in place along congested corridors other than to continue to operate regular service because of ridership and cost-effectiveness. The issue continues to be coverage versus productivity, and the system will look different in certain areas.

Mr. Schwetz said that staff are working on what the cost will be in the long run once there is a build out based on some level of regular service, which also will be part of the discussion of future corridors.

Mr. Vobora said that there is a distinct difference in opinions of the general population and those who are very close to West Eugene. Talking to people in simple terms with simple figures resonates with the general population. Getting the information to them is not difficult. Opponents, however, want a more detailed level of information.

Mr. Kortge spoke to the importance of addressing the economic value of EmX. Ms. Towery added that the focus also should include community values—taking care of those that are underserved, the vulnerable populations. In addition, the value of sustainability, environmental concerns, also are being addressed. A faster, more efficient, system is of value to people who need to get back and forth from home to jobs more quickly.

She added that the powerful message is the vision for a full system build out, rather than on a corridor basis. She recommended including bike riders as potential partners and supporters.

Mr. Schwetz mentioned the biggest challenge in planning: that it's difficult for people to envision the future well enough to take action in advance. And this is a big action that will cost money. Talking to people about the values that Ms. Towery mentioned will help overcome this challenge.

Mr. Gillespie suggested that the focus should be on getting five Eugene City Council votes. Councilors are getting extreme pressure from No Build supporters. Staff should be having one-on-one connections with councilors about the benefits of faster EmX service to and from West 11th. They should address EmX impacts to property owners along the West Eugene corridor by taking pictures of businesses that have the "No Build" signs and talk to them individually. Some businesses with "No Build" signs will not be affected at all.

Mr. Vobora said that people are able to make the argument quite saliently that EmX is robbing the rest of the system in the short term. The focus should be on the investment that is of value to the community, which offers short term benefits and bigger long term benefits. The argument is being made that the investment should be in connector routes that get closer to people. But the message should be in the question, "Is that better in the long term?" The message should be that this is a more efficient, effective way to serve the community in the long term.

Mr. Eyster added that LTD is not building routes; LTD is building a regional system.

Mr. Evans reminded the Board that LTD has limited political capital. For example, the Springfield City Council wants LTD's presence; and River Road residents want EmX. Consideration should be given that if the District is unsuccessful in getting a build option for West Eugene, it could severely cripple the overall vision for build out of the rest of the system. If LTD, with its resolve to promote West Eugene EmX, is not able to convince the Eugene City Council, where will that position LTD with promotion of the rest of the system build out? LTD can build around the issue. Case in point: when the District received opposition to Coburg Road, it went to Franklin Boulevard.

Mr. Pangborn said that LTD will follow through with West Eugene EmX until a decision is made. If lottery money is not received from the State, the project will have to be put on hold. LTD may apply for federal funding and only receive 40 percent rather than 80 percent. If Eugene City Council were to say "no," Mr. Pangborn stated his confidence that Springfield would welcome the opportunity to work with LTD on the next EmX corridor. He stated his belief that with increased congestion, the need for greener, more efficient transit will be expressed by the community.

Mr. Dubick agreed that the District should follow through on its commitment in terms of the District's legitimacy in this area. He reminded the Board that this is not a sprint, it is a long process. He stated that the route to Creswell took four votes. The City got the two votes because it put a face on the issue. It highlighted the people that are affected, including UO students that are hitching rides.

Mr. Hinds said that ODOT has suggested that EmX is a solution to traffic deaths on the corridor. LTD should partner with ODOT in all traffic improvements that will improve pedestrian access. This also would save taxpayers money. He said that the District needs to see West 11th EmX through to the end. It is at the 50-yard line, and there are 50 yards left to go. The UO is in the playoffs and Gateway EmX is going to have a great opening. This area will be getting great positive publicity. UO students will be trading vehicles in favor of riding EmX. The University will take note of the number of students living out West 11th and be a big supporter. When all is said and done, naysayers will have to agree that this system works.

Mr. Evans reiterated the importance that the Board be unified in its resolve and support to push forward with West Eugene EmX.

Scenario Development: It was decided that this topic would be postponed for a future work session.

ADJOURNMENT: The meeting adjourned at 3:26 p.m.

Board Secretary

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