

MINUTES OF DIRECTORS MEETING

LANE TRANSIT DISTRICT

BUDGET COMMITTEE MEETING

Wednesday, May 15, 2013

Pursuant to notice given to *The Register-Guard* for publication on April 21 and May 6, 2013, and distributed to persons on the mailing list of the District, the Board of Directors of Lane Transit District held a budget committee meeting on Wednesday, May 15, 2013, beginning at 6 p.m., in the LTD Board Room at 3500 East 17th Avenue, Eugene.

Present: Peter Davidson, Chair
Dwight Collins
Michael Dubick
Ed Gerdes
Gary Gillespie
Jon Hinds
Ed Necker
Don Nordin
Martha Reilly
Doris Towery
Warren Wong
Carl Yeh
Ron Kilcoyne, General Manager
Jeanne Schapper, Clerk of the Board
Lynn Taylor, Minutes Recorder

Absent: Kay Metzger

CALL TO ORDER/ROLL CALL – Ms. Towery called the meeting of the Lane Transit District Budget Committee to order and called the roll.

WELCOME AND INTRODUCTIONS - Ms. Towery and General Manager Ron Kilcoyne welcomed those present and thanked members of the Budget Committee for their willingness to serve. Those present introduced themselves.

MOTION ELECTION OF OFFICERS – Ms. Towery nominated Peter Davidson as chair of the Lane Transit District Budget Committee.

VOTE There being no other nominations, Mr. Davidson was elected chair by the following vote:
AYES: Collins, Davidson, Dubick, Gerdes, Gillespie, Hinds, Necker, Nordin, Reilly, Towery, Wong, Yeh (12)
NAYS: None
ABSTENTIONS: None
EXCUSED: Metzger (1)

MOTION Ms. Towery nominated Mike Dubick as secretary of the Lane Transit District Budget Committee.

VOTE There being no other nominations, Mr. Dubick was elected secretary by the following vote:
 AYES: Collins, Davidson, Dubick, Gerdes, Gillespie, Hinds, Necker, Nordin, Reilly, Towery, Wong, Yeh (12)
 NAYS: None
 ABSTENTIONS: None
 EXCUSED: Metzger (1)

PUBLIC COMMENT – There was no one wishing to address the committee.

MOTION **APPROVAL OF MINUTES (May 16, 2012)** – Mr. Hinds moved approval of the May 16, 2012, Budget Committee minutes as submitted. Mr. Gillespie provided the second.

VOTE The minutes were approved as follows:
 AYES: Collins, Davidson, Dubick, Gerdes, Gillespie, Hinds, Necker, Nordin, Reilly, Towery, Wong, Yeh (12)
 NAYS: None
 ABSTENTIONS: None
 EXCUSED: Metzger (1)

FISCAL YEAR (FY) 2013-14 PROPOSED BUDGET PRESENTATION

Strategic Issues – Director of Finance & Information Technology Diane Hellekson provided an overview of the budget process. She reminded the committee that it had the authority to modify the budget. She said once a budget had been approved by the Budget Committee, with eight or more affirmative votes, it would be forwarded to the LTD Board of Directors for adoption. She asked the committee to consider, during its deliberations, whether or not the proposed budget supported LTD's priorities. She reminded the committee that FY 2013-14 was the first year of the Long-Range Financial Plan (LRFP).

Mr. Kilcoyne presented highlights of FY 2012-13:

- Local economy improved
- Eugene City Council reaffirmed selection of the locally preferred alternative for the West Eugene EmX Extension (WEEE)
- WEEE Finding of No Significant Impact (FONSI) issued by Federal Transit Administration (FTA)
- Worked with City of Springfield to develop plan for Main Street/McVay Transportation Study
- Finalized new three-year labor agreement
- Completed SmartTrips Gateway project
- Implemented new opt-out program for medical insurance plan
- Continued planning for leadership and staff transitions

Mr. Kilcoyne discussed priorities for the coming year: ridership growth, improved efficiency, appropriate level of service, sustainability, succession planning, and reorganization. He said ridership had been flat over the past year and strategies to promote growth included targeted marketing, mitigation of negative impacts, real-time passenger information, and a fare management system. He said opportunities to improve service and administrative efficiency included exploring ways to reduce deadhead time and continuing to examine administrative functions. Sustainability strategies included developing an Environmental and Sustainability

Management System to increase sustainable practices to reduce cost and improve resources stewardship.

Mr. Kilcoyne said LTD would begin community conversations regarding service scenarios, optimal service levels based on potential demand, and identification of benefits to the community. He said 10 percent of senior administrative staff planned to retire, and succession plans for those positions were being developed to assure a smooth transition. Reorganization among functional areas resulted in a new Customer Services and Planning department created through the merger of Accessible and Customer Services, Facilities Management, Marketing, Planning and Development, and Point2point; Transit Operations and Fleet would merge in June 2014. Staffing remained lean, but the Government Relations Manager position would be restored in order to consolidate that function, which was currently dispersed among several staff. He said government relations was a key function if LTD wanted to grow and serve the community. A half-time administrative secretary would be added to provide Facilities Management support, and non-benefited part-time accounting assistants would be added to assist in the cash room.

Mr. Kilcoyne stated that major FY 2013-14 projects would be design of the West Eugene EmX Extension, completion of the Main Street/McVay Transportation Feasibility Study, and commissioning a study to determine economic recovery to prepare for an incremental increase in the payroll tax rate.

Mr. Gerdes asked if progress was made in negotiating a change in the retirement plan for employees represented by Amalgamated Transit Union, Local 757. Ms. Hellekson replied that no changes were made to existing benefits, but the contract included a provision that labor and management had to work on a task team to consider alternatives to the pension plan.

Mr. Gerdes asked if the LTD Board would determine the standards for economic recovery. Mr. Kilcoyne said the commissioned study would produce findings for the Board to consider after it was reviewed by the Board Finance Committee. Ms. Hellekson said she could provide committee members with a copy of the study completed in 2005.

In response to a question from Mr. Davidson, Ms. Hellekson said that she and Chief Accountant/Internal Auditor Carol James would be retiring in FY 2013-14, but Finance Manager Todd Lipkin would remain.

Ms. Towery asked if there was a projected amount of savings that would result from the investment of \$42,000 in sustainability efforts. Mr. Kilcoyne said some districts that invested similarly had experienced almost immediate savings of three to four times the original cost. Mr. Lipkin added that it would take a year to implement a plan, and savings would be more apparent when the FY 2014-15 budget was developed.

Ms. Towery said her concern was the expense in the face of requests from the community for service additions. She asked for information from other districts to help explain how the investment return would eventually significantly improve LTD's financial position.

Ms. Towery asked if the compensation plan allowed for additional pay for managers who would be responsible for the larger departments created through the merger of functions within the District. Mr. Kilcoyne said a department review would be conducted to consider that issue.

Mr. Collins asked if the flat ridership data in the past year had been taken into account when projecting ridership over the ten-year LRFP. Ms. Hellekson said the Board had recently approved a revised rolling ten-year LRFP. With the exception of the West Eugene EmX

Extension, there was no service addition plan in the entire ten-year period. She said fares were projected to increase over time as efforts to increase ridership were successful, and service dollars would be reallocated and used more effectively to provide more service for the same amount of money. Mr. Kilcoyne added that the long-range projections were generally conservative and that he was concerned with the flat ridership data; at the same time LTD had very high ridership and productivity compared to similar districts and was ranked 22nd in the country out of 555 reporting districts. LTD would continue to pursue innovative ways to attract new riders.

Mr. Necker thought perhaps with the lower cost of fuel more people were driving their vehicles rather than taking the bus.

Director of Customer Services and Planning Andy Vobora also pointed out that fares had been increased significantly, and across the industry a 10 percent fare increase typically resulted in a 4 percent ridership decrease. Ms. Hellekson stated that no fare increases were planned in July 2013. Mr. Kilcoyne noted that while ridership was flat, fare revenue had increased.

General Fund – Ms. Hellekson reviewed the General Fund budget, beginning with requirements in the categories of Personnel Services, Materials and Services, Insurance and Risk, Transfer to Accessible Services, and Transfer to Capital Projects. She emphasized that there were adequate resources to fund the requirements in the budget.

Personnel Services: Ms. Hellekson explained the administrative staff changes and planned retirements. In response to a question from Mr. Gerdes, she said that employees could accrue up to 480 hours in paid leave with the unused balance paid out in cash upon retirement. That expense was typically accrued as a liability but not budgeted, although the \$180,000 that would be paid to the eight staff who were retiring was in the budget. She said a 2 percent wage increase under the Amalgamated Transit Union (ATU) contract would occur on July 1, 2013, and administrative staff would receive the same increase on that date. No rate increase in the medical plan would occur on July 1, 2013, but a 5 percent increase was projected for January 1, 2014. A health insurance opt-out program for dependent coverage, if other coverage was available, was implemented January 1, 2013, and had resulted in substantial savings.

In response to a question from Mr. Gerdes, David Collier said LTD was working with its broker, but it did not appear implementation of the Affordable Care Act would have much financial impact.

Continuing, Ms. Hellekson described efforts to modify retirement plans for ATU and administrative employees in order to control costs while preserving benefits. She said a pension work group had been established to examine options. She described a variety of strategies already implemented that would result in the funded ratio for both plans continuing to improve and reduce financial risks for LTD.

Ms. James stated that other post-employment benefits for retirees, such as allowances for Medicare supplements and insurance premiums, were a fixed-dollar amount calculated while people were still employed and shown as a liability in LTD's financial disclosure information. She said the last actuarial calculation was \$7 million, although that was based on whether retirees opted for continued coverage through LTD's insurance plans, as well as other factors.

Mr. Wong observed that was an unusual benefit for public sector employees. Since costs would continue to rise, that was an expense that should be flagged in future budget deliberations.

Materials and Services: Ms. Hellekson compared bus operational statistics for the 12-month periods ending April 30, 2012, and April 30, 2013, pointing out that as traditional diesel buses were replaced with hybrid-electric vehicles, fuel efficiency of the fleet would continue to improve. She said fuel was budgeted at \$3.75 per gallon. With 600,000 gallons in storage at a lower price, she did not anticipate any problem coming in at or under budget in the next year. She said a small increase was proposed for the cost of parts.

Ms. Hellekson said investments in professional services, such as determining appropriate level of services, an efficiency initiative, and Point2point programs, would ultimately return a greater amount through increased ridership, productivity, and efficiency.

Mr. Gerdes asked if LTD had considered using BRING Recycling's sustainability consultant. Ms. Hellekson said the budgeted study was not for the Green initiative; it was a study of organizational function and effectiveness. The District had used BRING Recycling for other activities.

Mr. Gillespie encouraged LTD to issue a request for proposals for a labor attorney.

Ms. Towery commented that the City of Springfield had conducted a similar study two years ago, and it was highly effective. She suggested speaking to the Springfield city manager about which local consultant was used. She reiterated her concern that LTD be prepared to justify the investments in professional services and demonstrate how they would bring a return to the District and the community.

Insurance and Risk Services: Ms. Hellekson briefly reviewed budgeted expenses for insurance and risk services. She said expenses had been below budget for the current year, and she anticipated similar results next year for several reasons: workers' compensation claims had decreased, LTD's premium had been reduced, two large claims had been settled, and there were no property claims to date in the current fiscal year.

Transfers: Ms. Hellekson highlighted transfers to Accessible Services, Medicaid, and Capital Projects Funds from the General Fund. She said the District was mandated to provide accessible services, and the amount of transfer was affected by the amount of funds provided by the State during a fiscal year.

In response to a question from Dr. Reilly about accessibility services eligibility, Mr. Necker said there was an assessment process to determine if an applicant was unable to use the bus; full eligibility was for those who could never use the bus, and conditional eligibility was for those who were able in certain circumstances to use the bus. He said the Transit Host Program had been very successful in helping people learn to use the bus system.

Mr. Vobora said the assessment process involved a face-to-face interview during which the person's other needs for service could be addressed. Ms. Hellekson said various strategies had been helpful in controlling costs, but accessible services costs were still high.

Mr. Gerdes asked if taxis would be less expensive. Mr. Vobora said that LTD did use taxis for some trips through its Call Center, which determined the least cost, most effective option for a person's transportation. He said that taxi companies had to be certified to provide accessible services.

Mr. Gillespie asked if the purchase of minivans had helped to decrease RideSource costs. Mr. Vobora said data was still being developed by staff, although the primary expense associated with RideSource was the driver.

Ms. Hellekson said the Medicaid transfer was new because State funds were no longer available to provide the required match of \$147,000. She said capital project transfers provided the local match for federal funds.

In response to a question from Mr. Davidson, Mr. Lipkin said the Medicaid transfer was for non-medical transportation.

Resources: Ms. Hellekson listed passenger fares, payroll taxes, self-employment taxes, State-in-lieu, preventive maintenance, Point2point, and miscellaneous other funds as General Fund resources. She said although there was a slight decline in ridership and group pass participation, the 10-ride tickets books were a popular addition. She anticipated an increase in ridership with targeted marketing efforts and no planned fare increases.

Ms. Hellekson said the primary source of revenue was payroll-related taxes, and a conservative increase of 5.7 percent was in the proposed budget. Based on experience in the current year, she expected the actual increase to be somewhat higher.

Ms. Hellekson said that fixed-route services had been stabilized by using federal formula funds, which had previously been used for capital projects, for preventive maintenance. She said in each of the previous three years the Metropolitan Planning Organization (MPO) had awarded the District Surface Transportation Program-Urban (STP-U) funds, but those were no longer available. She described the various grant funds used to support Point2point programs and said a gradual improvement in advertising revenue was anticipated as the economy improved. She said the Business Energy Tax Credit (BETC) program was phased out by the State, but any previously existing capacity for placing those funds could still be used until 2014. She said those funds were not in the budget because of the uncertainty of placing credits. Those were now being placed, and she expected they would generate \$1.2 million.

Accessible Services Fund – Finance Manager Todd Lipkin reviewed the Accessible Services Fund requirements and the types of services provided. He said RideSource rides were still projected to increase in the future, and costs would increase along with demand.

Mr. Davidson asked about the impact of demographic shifts due to an aging population on long-range budget projections. Mr. Lipkin said the LRFP anticipated an increase of 10 percent each year in the transfer to Accessible Services. He said LTD was finding ways to provide trips more economically to help reduce the cost per trip.

Mr. Davidson asked if there was an impact on the fixed-route system. Mr. Vobora said that 56 percent of the ridership was composed of students, with only 4-5 percent being seniors. Although future trends were unknown, he did not expect major shifts in bus usage.

Regarding resources, Mr. Lipkin said that State special transportation funds were flat or reduced, federal funds would likely be reduced under new transportation legislation, farebox revenue was flat, and contributions from local sources for services were stable. He noted that the transfer from the General Fund had been discussed previously.

Medicaid Fund – Mr. Lipkin reviewed fund requirements and resources. He said that under Oregon's health care reform the coordinated care organization (CCO) model was created. LTD

already provided the Medicaid Non-Emergency Medical transportation, and the Lane County CCO, Trillium Community Health Plan, decided to continue to contract with LTD for that service. He said previously all of those trips had been paid by the State; under the new arrangement 80 percent of trips would be paid by Trillium on behalf of plan members, with the remaining 20 percent paid by the State. He said a contract with Trillium to provide transportation services was still being negotiated to determine either a capitated rate (per member per month) or per member per trip rate. He said the State's per member per trip payment structure would not change.

Mr. Davidson encouraged LTD to work with Trillium to assure that the State funds being channeled through the CCO process were used as effectively as possible to support the eligible population.

Mr. Necker commented that Trillium was a for-profit corporation.

Capital Projects Fund – Mr. Lipkin reviewed the frequent transit network projects and other planned capital project expenditures. He said the three network projects were the West Eugene EmX Extension, Gateway EmX Extension, and Main Street/McVay Feasibility Study. Other projects included vehicles, facility improvements, equipment, technology, and transit security. He said that changes in federal transportation legislation would require LTD to debt-finance the purchase of revenue vehicles. He said revenue sources for the Capital Projects Fund included federal and state grant funds and transfers from the General Fund and Accessible Services Fund.

Summary – Ms. Hellekson summarized that the proposed General Fund operating budget was \$39,113,000, representing a 2.3 percent increase from the current year. The non-operating component, which included transfers, contingencies, and reserves, was \$16,890,700 and reflected a 29.5 percent increase, primarily due to an increased transfer to the Accessible Services Fund, addition of the Medicare Fund transfer, and a slight increase to the Capital Projects Fund transfer. The Accessible Services Fund was flat at \$6,275,200, and the Medicaid Fund budget increased by 13.8 percent to \$5,935,100 due to increased demand for service. The Capital Projects Fund increased by 279.1 percent to \$112,835,000 due to the State's budget requirement to include the entire amount for a multi-year project, such as the West Eugene EmX Extension, to demonstrate that the project was fully funded. That amount would gradually decrease as the project went forward. She said the total proposed budget was \$181,049,000, although almost half of that was the \$95,000,000 required for the West Eugene EmX Extension.

COMMITTEE DISCUSSION – Mr. Davidson thanked staff for the work involved in developing and presenting the budget. He called for questions and comments from committee members.

In response to a question from Mr. Gerdes, Ms. Hellekson said that the year was expected to end with about \$10 million in reserves, which was slightly higher than last year because of over budgeting expenditures and under budgeting revenue.

Mr. Davidson asked what percentage of the \$95,000,000 budgeted for the West Eugene EmX Extension was from the General Fund. Mr. Lipkin replied that there were no General Fund dollars budgeted for the project; it was entirely funded from federal and state sources. Ms. Hellekson emphasized that LTD had committed to its community partners that no General Fund dollars would be used for that project, and it would not result in a reduction of fixed-route services.

Mr. Davidson asked if there was an estimate of what percentage of project funds would be spent within the community. Ms. Hellekson said that was difficult to determine because LTD was prohibited from discriminating against bidders by favoring local businesses. She said the contracting process had to be open, and the project was too large for any one local contract to absorb, although local and out-of-area contractors could partner. She said even if contractors were not local, the project was and would generate payroll tax receipts.

Ms. Towery pointed out that 400 local jobs were generated during the Gateway EmX project construction. Mr. Gillespie noted that the West Eugene EmX project was expected to generate 1,200-1,400 jobs.

Mr. Davidson hoped to see a real commitment in future budgets to add back some of the service eliminated during the recession. Mr. Kilcoyne observed that one of the areas in which cuts occurred was West Eugene, and the EmX project would help fill that gap. He said LTD would need to prioritize where service additions would occur in the future and balance restoring previous cuts with meeting future demands such as the new veterans clinic, which would be located in an area currently without service. He said a process for identifying priorities would need to be established.

Ms. Towery said the Board had been discussing strategies for prioritizing and addressing emerging service needs and restoration of service cuts.

Mr. Kilcoyne said the proposed budget included several one-time expenditures that were designed to save money. If the results were successful, combined with the fact that the expenditures would not be in future budgets, there could be resources to provide additional services above what was assumed in the long-range plan.

Mr. Collins asked if the proposed budget correlated personnel services with payroll tax revenue. Ms. Hellekson said if LTD could manage personnel services expenditures to be approximately the same as payroll tax receipts, the District was financially viable. She said reserves were established in the event receipts were lower than expenditure and since the recession had been used to fill the gap. She said the infusion of federal preventive maintenance funds had helped, but she expected that reserves would be needed for the next several years.

Dr. Reilly asked if the CCO model would result in an expansion of people qualifying for accessible services. Mr. Davidson said that eligibility would be greatly expanded.

Dr. Reilly asked if there was an opportunity for an increase in the per capita payments, which would help subsidize some of the other accessible services the District provided. Mr. Davidson explained that receiving capitated dollars would allow the District to control how it provided services and used funds with maximum efficiency, which could be beneficial. However, Oregon's approach to the CCO model went beyond traditional medical care and could allow Trillium to determine who was served and how services were provided. He suggested that LTD insist that all of the dollars coming into the community be on the table during negotiations and assure that contract provisions protected LTD from incurring any financial liability when providing services. Mr. Lipkin added that Trillium was considering the possibility of funding non-medical trips, which would help with the expense of providing ADA (Americans with Disabilities Act) trips.

Mr. Hinds asked how long it would take to convert the entire fleet to hybrid-electric vehicles and whether the articulated buses achieved better fuel economy. Director of Maintenance George Trauger said 48 percent of the fleet was now hybrid-electric, and the next purchase would significantly increase that percentage. He said that the new hybrid-electric articulated buses did

get better fuel mileage, although that varied depending on the vehicles' duty cycles and engine type.

Mr. Gerdes commented that the Board would need to establish objective standards for making a determination of economic recovery in order to justify to the business community an increase in the payroll tax rate. He was willing to serve on a committee to help develop those standards.


POLLING OF COMMITTEE MEMBERS – Mr. Davidson polled Budget Committee members on the proposed budget. Each member indicated that he or she supported the budget as proposed.

Mr. Davidson recognized committee members for their service on behalf of the community and staff for an outstanding budget presentation. He was pleased to be a part of the LTD organization.

MOTION APPROVAL OF BUDGET – Dr. Reilly moved that the LTD Budget Committee approve the proposed Fiscal Year 2013-2014 budget as presented and forward it to the LTD Board of Directors for adoption. Mr. Hinds provided the second.

VOTE The motion was approved as follows:
AYES: Collins, Davidson, Dubick, Gerdes, Gillespie, Hinds, Necker, Nordin, Reilly, Towery, Wong, Yeh (12)
NAYS: None
ABSTENTIONS: None
EXCUSED: Metzger (1)

ADJOURNMENT - Mr. Davidson adjourned the meeting at 9 p.m.



Committee Secretary