

MINUTES OF DIRECTORS MEETING

LANE TRANSIT DISTRICT

BUDGET COMMITTEE MEETING

Wednesday, May 18, 2016

Pursuant to notice given to *The Register-Guard* for publication on May 3 and May 13, 2016, and distributed to persons on the mailing list of the District, the Board of Directors of the Lane Transit District (LTD) held a Budget Committee meeting on Wednesday, May 18, 2016, beginning at 6:00 p.m., in the LTD Board Room at 3500 East 17th Avenue, Eugene.

Present: Dean Kortge, Chair
Jon Hinds, Secretary
Kathryn Bruebaker
Jody Cline
Scott Diehl
Gary Gillespie
Julie Grossman
Ed Necker
Don Nordin
Jennifer Smith
Gary Wildish
Carl Yeh
A.J. Jackson, General Manager
Roland Hoskins, Director of Administrative Services
Cindi Hamm, consultant
Jeanne Schapper, Clerk of the Board

Absent: Angelynn Pierce

At the members' places were two documents: 1) *Lane Transit District Proposed Budget (Fiscal Year 2016-2017)* sample budget resolution; and 2) replacement page for page 11 of the *LTD Proposed Budget Fiscal Year 2016-2017*.

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

WELCOME AND INTRODUCTIONS — Mr. Wildish welcomed Budget Committee members, and he requested staff to introduce themselves. Staff present were: Tom Schwetz, planning and development manager; Edward McGlone, government relations manager; David Collier, human resources manager; Mark Johnson, director of operations and customer satisfaction; Frank Wilson, public safety manager; Theresa Brand, transportation options program manager; Jake McCallum, operations manager; Meg Kester, marketing manager; Joe McCormick, facilities manager; Steve Parrott, intelligent transportation systems manager; Cheryl Munkus, internal auditor; and Chris Thrasher, administrative secretary.

ELECTION OF OFFICERS – Mr. Kortge volunteered to serve as chair of the Lane Transit District Budget Committee.

VOTE There being no other nominations, Mr. Kortge was elected chair by the following vote:
 AYES: Bruebaker, Cline, Diehl, Gillespie, Grossman, Hinds, Kortge, Necker, Nordin, Smith, Wildish, Yeh (12)
 NAYS: None
 ABSTENTIONS: None
 EXCUSED: Pierce (1)

Mr. Hinds volunteered to serve as secretary of the Lane Transit District Budget Committee.

VOTE There being no other nominations, Mr. Hinds was elected secretary by the following vote:
 AYES: Bruebaker, Cline, Diehl, Gillespie, Grossman, Hinds, Kortge, Necker, Nordin, Smith, Wildish, Yeh (12)
 NAYS: None
 ABSTENTIONS: None
 EXCUSED: Pierce (1)

PUBLIC COMMENT — There was no one wishing to address the Committee.

APPROVAL OF MINUTES (May 20, 2015) - Ms. Cline noted that her name was misspelled on pages 6 and 7 of the minutes (Kline, Cline).

MOTION Mr. Gillespie moved approval of the May 20, 2015, Budget Committee minutes as amended. Mr. Necker provided the second.

VOTE The minutes were approved as follows:
 AYES: Bruebaker, Cline, Diehl, Gillespie, Grossman, Hinds, Kortge, Necker, Nordin, Smith, Wildish, Yeh (12)
 NAYS: None
 ABSTENTIONS: None
 EXCUSED: Pierce (1)

FISCAL YEAR (FY) 2016-2017 PROPOSED BUDGET PRESENTATION – Mr. Hoskins described LTD's mission, values, and operating principles. He briefly reviewed Oregon's statutory requirements relating to budgets, including the makeup of the Committee, meeting process, public notice, and process for deliberation. Mr. Hoskins encouraged Committee members to ask questions when they had them. He summarized that the Budget Committee was being asked to recommend a FY 2016-2017 budget to the Board of Directors for adoption, either as proposed by staff or amended by the Committee.

Budget Message — Ms. Jackson described how LTD planned to invest in the community. The proposed budget included: an increase of \$1.2 million in new, improved, and more frequent bus service (a 5 percent increase over current service levels); the purchase of 10 new buses; continued construction of the West Eugene EmX system; expanded public safety patrol; added bus stations (at Harlow Road and Centennial Road); and a half-price fare program with area nonprofit organizations. Ms. Jackson said the proposed budget also reflected LTD's commitment to being responsible and efficient with public funds. She highlighted the fourth consecutive year of workers' compensation reductions and the investment in electric and hybrid-electric buses. LTD staff was not proposing an increase in passenger fares. Ms. Jackson described the budget risk factors, including payroll tax revenues, contract renegotiations, state funding levels, and

changing transportation patterns. She noted the proposed budget was conservative. For example, it did not reflect potential state funding changes from a potential 2017 transportation funding package. Ms. Jackson concluded her budget message by saying that the proposed budget reflected the previously approved Long-Range Financial Plan and Capital Improvements Program.

Proposed Budget — Ms. Hamm briefly reviewed the organization of the *Proposed Budget 2016-2017*. She explained that the agenda that evening was designed to look at revenues and expenditures by fund. The *General Information* and *Glossary* sections were provided as background material.

General Fund — Ms. Hamm noted that the line item detail for the General Fund began on page 13 of the proposed budget document.

Resources

Ms. Hamm reported revenues were projected to increase by 6.5 percent, primarily due to an increase in payroll taxes. Responding to Mr. Kortge's question as to why the increase, Ms. Hamm explained that it was in part due to improved economic conditions. Another factor was a large employer's shift from the state-in-lieu revenue stream to payroll taxes.

Mr. Gillespie asked if the estimated payroll tax revenue had been adjusted to account for the change in the minimum wage. Mr. Hoskins replied that it had not. An increase was projected, but staff wanted to wait for a few months of actual data before estimating the annual impact on revenue.

Ms. Hamm reviewed other revenue sources, comparing the FY 2015-16 Budget and Estimate to the Proposed FY 2016-17 Budget. Federal Assistance programs were relatively flat as were most forms of passenger fares. There had been a drop in farebox revenue, and LTD staff had proposed route revisions designed to increase ridership. Advertising, special services, and interest also were relatively flat. Ms. Hamm noted the increase in the Other Funds category and said it reflected the rebate from the Oregon Workers' Compensation program.

Expenditures

Personnel Services. Ms. Hamm emphasized that Personnel Services comprised the majority of General Fund expenditures. Eighty percent of personnel were in the Operations and Customer Satisfaction Division. Overall, the FY 2016-17 proposed budget included a \$3 million increase in personnel services. Answering Mr. Diehl's question about the 11.5 percent difference between the FY 2015-16 budget and estimate, Ms. Hamm explained that the budget assumed all full-time equivalent (FTE) positions were filled for the entire year when, in fact, there had been some vacancies.

When Ms. Bruebaker asked if the wage increases included a cost of living adjustment (COLA), Ms. Hamm said yes. The COLA was 3.4 percent for those in the Amalgamated Transit Union (ATU) and 3 percent for non-union staff.

Ms. Grossman recalled that staff had previously stated the change in minimum wage was not expected to impact LTD. What about the issue of wage compression? Human Resources Manager David Collier responded that it was not an issue.

Discussion turned to the ATU and administrative retirement plans. Ms. Hamm explained that LTD had adopted a 10-year plan to eliminate the unfunded actuarial liability in the ATU plan and the administrative plan for employees hired prior to 2012. Mr. Kortge suggested targeting \$1 million of the probable payroll tax revenue increase to decrease the liability. Mr. Gillespie expressed concerns that the liabilities were still so high.

Addressing the administrative plan for employees hired January 1, 2012, forward, Ms. Hamm indicated that it was a defined contribution plan with an additional employee match opportunity. When Mr. Gillespie asked if the employee match was mandatory for the first six months, Mr. Hoskins confirmed that it was. Mr. Hoskins added that most employees (95 percent) did not opt out of the match after six months.

Materials and Services. Ms. Hamm gave an overview, noting the majority of the expenditures were in the Operations and Customer Satisfaction Department. When Mr. Kortge asked for clarification of the services in the department, Ms. Jackson explained that it was transit operations and maintenance.

Ms. Hamm noted that there were no significant changes in the proposed budget. Ms. Brand added that the FY 2015-16 estimate was lower than the FY 2015-16 budget because projects budgeted in the fiscal year had taken more than a year to complete.

Ms. Hamm reviewed line items for fuel and parts. Mr. Johnson explained that the proposed budget for fuel was higher than the current year's estimate because LTD had to use previously stored fuel, which cost more than the current market rate. He added that the parts inventory had to be expanded because there were more different models of buses to maintain. Responding to a question from Mr. Necker regarding the life of batteries in the new electric buses, Mr. Johnson noted that the batteries lasted the lifetime of the bus. Following up to inquiries from Mr. Hines and Ms. Bruebaker, Mr. Johnson said the manufacturer of the electric buses was BYD Company Limited. Each bus cost approximately \$800,000.

Professional Services: Ms. Hamm explained that both General Professional Services and Security were increased. Mr. Schwetz indicated that the increase in General Professional Services was to support the update to the Long-Range Transit Plan.

The Security increase was twofold: First, an additional 1.4 FTE was added. When Ms. Grossman asked how many FTEs were currently in the contract, Mr. Wilson said 13; the FY 2016-17 contract was for 14.4 FTE. Mr. Johnson added that the second factor was that the contract was up for renegotiation. Given the tight labor market for law enforcement professionals, he expected an increase in labor costs.

Ms. Hamm concluded the General Fund Materials and Supplies review. She noted Cleaning, Travel and Training, Utilities and Telecom, and Other Materials & Services were relatively flat. When Mr. Kortge asked if there was more detailed information on the Other Materials & Services, Ms. Hamm directed him to the departmental budgets (pages 17-39).

Ms. Grossman requested more information on the Travel and Training line item. Ms. Jackson described the training needed for newly hired professional staff. The program was managed through Human Resources. The plan is to hold some of the training in-house to limit travel costs. Mr. Gillespie added that some of the budget was for certification training for those on the Pension Trusts.

When Ms. Smith asked if the training budget covered the 20 new bus operators, Mr. Johnson said no; Operations had its own budget for training.

Insurance and Risk Services. Ms. Hamm reviewed the FY 2015-16 Budget, FY 2015-16 Estimate, and FY 2016-17 Proposed Insurance and Risk Services line items for payroll-related costs, vehicle liability, and general insurance premiums. There were no questions from Budget Committee members.

Transfers. Ms. Hamm described the three General Fund transfers: 1) Accessible Services; 2) Medicaid; and 3) Capital Projects. She noted that the Capital Projects transfer varied year-to-year, depending on what projects required LTD to match state/federal funds. Responding to Mr. Diehl's observation that the savings in FY 2015-16 between budget and actuals was greater than the amount reflected in the transfers, Ms. Jackson explained that it would be discussed in more detail later in the meeting when addressing working capital.

Ms. Cline asked why the Medicaid Transfer amount was 100 percent above the \$195,000 budgeted. Ms. Jackson described the significant increase in usage for transport to medical appointments for patients covered by the Oregon Health Plan and registered to the Trillium Community Care Organization (CCO). When Mr. Kortge asked if the number of people had increased, Ms. Jackson replied that there had been a small increase in membership but the cost driver was usage, which had skyrocketed.

Ms. Jackson addressed Mr. Nordin's question regarding receiving additional payment from the CCO. She said that LTD had renegotiated an increase in the per member/per month cost with Trillium.

Ms. Hamm asked if there were any other questions or comments regarding the General Fund revenues and expenditures in the proposed FY 2016-17 budget.

Ms. Grossman referenced the pie chart illustrating General Fund expenditures. She asked how LTD's allocations stood relative to best practices. Ms. Jackson said that the industry standard was for personnel costs to be at 70 percent of the expenditures; LTD was slightly under that amount. She noted that LTD was part of the American Bus Benchmarking Group (ABBG), and, therefore, was able to benchmark District performance to similarly sized transit districts. Ms. Jackson said that the goal was to decrease LTD's cost/transit hour to better approximate industry standards.

Mr. Wildish divided the total General Fund expenditures by the number of FTEs and noted a 14 percent increase over the last three years. When he asked if that was appropriate, Ms. Hamm questioned if it was the best measurement.

Ms. Jackson advised that the more common measure was cost of business divided by the hours of service. Mr. Schwetz added that there was an increase in hours of service: in FY 2015-16, LTD had provided 263,120 hours of service; in FY 2016-17, 277,339 hours of service were projected. Ms. Brand observed that LTD housed the Regional Transportation Option program, which included other transit services. She said those costs should be removed from LTD's cost of service when doing the aforementioned calculation.

Mr. Kortge questioned why no fare increase had been proposed. Past practice had been for revenue from fares to comprise 20 percent of the overall revenue stream.

Ms. Jackson explained that farebox revenue was close to the target. Any increase in fares likely discouraged some ridership, and ridership overall had declined in FY 2015-16.

Responding to a question from Mr. Hinds about the impact of the proposed new fare management system, Mr. Johnson described the information they expected to receive from the system. He said they had postponed the project because TriMet was developing a new application that may better serve LTD's needs.

In response to Ms. Smith and Ms. Bruebaker request for more information about the TriMet system, Mr. Parrott explained that TriMet staff were working with staff from the Oregon Department of Transportation (ODOT) to complete a gap analysis prior to upgrading their system. TriMet's system was envisioned to support mobile ticketing, fare card systems, open card systems, and multiple forms of payment. It did not include origin/destination information.

Discussion turned to the possibility of a fare-free transit system. Mr. Nordin advocated for it. Mr. Gillespie encouraged more Board discussion on the possibility. Ms. Jackson described some of the potential implications of a fare-free system, including public safety and demand management issues. Consensus was that discussion of a fare-free system was beyond the scope of the Budget Committee. The LTD Board would take up the discussion at a future meeting.

Before moving on to presenting the other funds, Mr. Hoskins noted that no adjustment had been made in the Capital Improvements Program (CIP). All CIP projects had been rolled forward in the proposed budget.

Accessible Services Fund — Ms. Hamm described the services provided through the Accessible Services Fund, including LTD's RideSource (Eugene-Springfield metro area), South Lane Wheels (Cottage Grove), Diamond Express (Oakridge), Rhody Express (Florence), and the Alternative Work Concepts program. She reviewed revenue sources, the largest being Federal Assistance, and noted revenue was relatively flat with the exception of the General Fund Transfer.

When Ms. Bruebaker asked about the sustainability of federal and state funding sources, Mr. McGlone explained that federal funding was very stable for the next five years because of the Fixing America's Surface Transportation (FAST) Act. State funding fluctuated more.

Mr. Gillespie noted that the Alternative Work Concepts program was very compatible with the Employment First Initiative recently implemented by the state for persons with developmental disabilities.

Turning to expenditures, Ms. Hamm explained that the metro-area services, including the American with Disabilities Act (ADA) RideSource, Transit Training and Hosts, and Special Transport, comprised the majority of the costs.

When Mr. Nordin observed that people in smaller communities did not receive comparable services, e.g., the RideSource Shopper, Ms. Jackson explained the need for population density in order to justify the return on investment of a rural route. Mr. Johnson added that accessible services had to mirror either a bus route or a shuttle service. Mr. Necker noted that the cost differential was substantial: the passenger cost per bus ride was \$3 as compared with the cost per paratransit ride, which was \$30.

Medicaid Fund — Ms. Hamm noted that the details were available beginning on page 44 of the proposed budget document. The Medicaid program provided transportation services to individuals who qualified for Oregon Health Plan coverage. She reviewed the revenues and expenditures.

Mr. Kortge questioned the expenditures for Program Administration, stating that it seemed high to him. Mr. Wildish estimated the Program Administration costs were 18 percent of the program budget.

Ms. Jackson explained that Program Administration included the centralized call center. Responding to a question from Ms. Bruebaker as to how the program worked, Ms. Jackson described how RideSource staff matched service requests to the lowest cost/best accommodation. Usually a fixed bus route was not the answer. She noted that almost half of all taxi rides in the metro area were generated by RideSource. Ms. Cline added that there was a lot of coordination involved, including confirmation of the medical appointment and pick-up/drop-off schedules.

Ms. Jackson noted that the Program Administration costs were billed to the CCO. Mr. McGlone added that Trillium funded approximately 300,000 rides each year. The prorated overhead cost was about 20 cents per ride.

Mr. Wildish stated his endorsement of the central dispatch approach of RideSource, specifically noting its efficiency.

Capital Projects Fund — Ms. Hamm detailed the Capital Projects Fund. Federal Assistance was the major source of resources. Ms. Jackson noted that it was important to keep sufficient General Fund resources to leverage state and federal programs. Ms. Hamm explained the volatility of the Capital Projects Fund. Each year showed the revenue and expenditures for entire projects, even if they took multiple years to complete. Mr. McCormack provided as an example the West Eugene EmX Extension project that was budgeted in FY 2015-16. It was now approximately 45 percent commercially complete, with an anticipated completion date of December 17, 2016. Similarly, the difference in budget and estimate for stations, shelters, and facilities reflected the encumbrance of the total amount needed at the beginning of the project—even though the expenditures had not occurred in the fiscal year.

Looking at expenditures, almost half supported the Frequent Transit Network (FTN). When Mr. Kortge asked for more information on the Frequent Transit Network, Mr. Schwetz explained that it was composed of major transit routes in the metro area. They included, but were not limited to, the EmX routes. The FTN tied transit lanes to local land use plans.

When Mr. Nordin asked why there was a difference between the FY 2015-16 budget and estimate for fixed-route vehicles, Ms. Jackson clarified that they had not yet taken delivery of the vehicles.

Ms. Jackson told the Budget Committee members that the Board had asked her to look at how to better reflect project progress and payments in the Capital Projects Fund.

Summary — Ms. Hamm summarized the General Fund Operating Budget (a 7.9 percent increase from FY 2015-16); the General Fund Non-Operating Budget (an 84.7 percent increase from the current year); the Accessible Services Fund (a 1.1 percent decrease in total budget and 3 percent decrease in General Fund transfer); the Medicaid Fund (a 26.6 percent increase from FY 2015-16); and the Capital Projects Fund (a 16.1 percent decrease from the current year).

Overall, the proposed appropriations were a net increase of 3.8 percent. Ms. Hamm explained that the savings between the budgeted and estimated expenditures in previous years, including FY 2014-15 (\$30,609,930), was reflected in the General Fund Non-operating Budget Working Capital line item. She offered that a more common term was *unappropriated ending fund balance* (UEFB). Ms. Hamm noted that the Government Finance Officers Association (GFOA) recommended that government agencies maintain a minimum of two months of operating expenditures in a reserve account. She added that the change in administration at LTD provided an opportune time for the Board to review its financial policies.

Mr. Diehl supported relabeling the line item as he thought the current title misleading.

Ms. Jackson reported that LTD was in a good position financially. She said that it would be important to strategically improve services over the next five to ten years. It also was wise to have reserves available for federal or state project match requirements.

Mr. Gillespie stated his agreement. He said that for transit districts to be competitive under the new federal transportation bill, more than a 20 percent match was needed.

Ms. Grossman also stated her support for having appropriate reserves. When she asked if the Working Capital money was earning interest, Ms. Hamm said yes; it was part of Oregon's Local Government Investment Pool.

COMMITTEE DISCUSSION – Mr. Kortge called for further discussion of the proposed budget.

APPROVAL OF BUDGET –

MOTION Mr. Diehl moved that the LTD Budget Committee approve the proposed Fiscal Year 2016-17 Budget as presented and forward it to the LTD Board of Directors for adoption. Mr. Hinds provided the second.

Mr. Kortge reiterated his previous proposal to increase the General Fund contribution to the pension funds by an additional \$1 million. Mr. Gillespie and Ms. Bruebaker supported his proposal.

Discussion turned to the best mechanism for determining how the \$1 million was to be divided between the ATU and Administration plans. Mr. Hoskins recommended that the Pension Fund Trustees was the appropriate body to determine the allocations. When Ms. Grossman asked who comprised the Committee, Mr. Hoskins explained that its six members were equally divided between ATU and Administration representatives.

AMEND Mr. Diehl offered to amend his motion to include \$1 million in additional General Fund appropriation to the pension plans, as determined by the Pension Fund Trustees. Mr. Hinds agreed to the amendment.

VOTE The amended motion was approved as follows:
 AYES: Bruebaker, Cline, Diehl, Gillespie, Grossman, Hinds, Kortge, Necker, Nordin, Smith, Wildish, Yeh (12)
 NAYS: None
 ABSTENTIONS: None
 EXCUSED: Pierce (1)

ADJOURNMENT – Mr. Kortge adjourned the meeting at 8:55 p.m.



Budget Committee Secretary

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