

NAME OF MEETING: LTD Budget Committee Meeting

DATE OF MEETING: September 6, 2016

TO: Chris Thrasher

RECORDED BY: Lynn Taylor

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ROUTING INFORMATION

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MINUTES OF DIRECTORS MEETING

LANE TRANSIT DISTRICT

BUDGET COMMITTEE MEETING

Tuesday, September 6, 2016

Pursuant to notice given to *The Register-Guard* for publication on September 2, 2016, and distributed to persons on the mailing list of the District, the Board of Directors of the Lane Transit District held a budget committee meeting on Tuesday, September 6, 2016, beginning at 5:30 p.m., in the LTD Board Room at 3500 East 17th Avenue, Eugene.

Present: Dean Kortge, Chair
Jon Hinds, Secretary
Kathryn Bruebaker
Jody Cline
Gary Gillespie
Julie Grossman
Ed Necker
Don Nordin
Jennifer Smith
Gary Wildish
Carl Yeh
Aurora Jackson, General Manager
Jeanne Schapper, Clerk of the Board
Lynn Taylor, Minutes Recorder

Absent: Scott Diehl
Angelynn Pierce
Kim Thompson

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

PUBLIC COMMENT — There was no one wishing to speak.

APPROVAL OF MINUTES — No corrections or additions being offered, Mr. Kortge deemed the Minutes of the May 18, 2016, LTD Budget Committee approved as submitted.

WELCOME — Ms. Jackson welcomed those present and thanked committee members for helping the District present a supplemental and Capital Improvement Program (CIP). She introduced several new staff members, including Finance Director Christina Chu and CPA Cindi Hamm, consultant. She briefly described the information to be covered said the goal of the Supplemental Budget was to present an accurate financial picture for the next 10 months and avoid the need to make additional adjustments to the budget at the end of the fiscal year. She said this would prepare the way for development of 10- and three-year implementation plans for serving the community.

FISCAL YEAR (FY) 2016-2017 SUPPLEMENTAL BUDGET PRESENTATION

FY 2016-17 Supplemental Budget Overview — Ms. Hamm said one of the most significant changes to the General Fund was removal of 5307 formula funding for preventive maintenance (PM). She said that previously those funds had been used for capital investments and during the economic downturn they were moved into the operating budget and used for PM. Now that the economy was recovering and payroll tax revenues were strong \$4.2 million in 5307 funds were being moved back into the capital fund to meet capital investment needs. She also highlighted small adjustments to self-employment taxes and state-in-lieu revenue, increases to contractual services, a correction to pension contributions, consolidation of various maintenance accounts and transfers among department training budgets to accommodate new hires. She noted that the practice had been to budget as if all positions were filled throughout the year, although that was not typical. A vacancy factor accounting for about \$820,000 had been added that would almost entirely offset increases to the budget.

In response to a question from Mr. Kortge, Ms. Hamm said a vacancy factor was a typical budgeting strategy, particularly when resources were limited, but LTD would be easily able to manage the vacancy factor.

In response to questions from other committee members, Ms. Hamm explained that the vacancy factor was approximately three percent; vacancies over the last three years had averaged between four and seven percent. She said the vacancy factor was applicable across the agency to both salaried and union employees and overtime was already built into the budget, making it quite conservative. She said it was likely LTD had already met the vacancy factor for the year due to several vacancies and there had been many retirements. She said a budget report error was also being corrected to include the Board's sub-department and provide funding from operations in the amount of approximately \$40,000.

Reorganization Overview — Ms. Jackson said that the proposed reorganization was intended to improve LTD's ability to deliver projects, partner with other agencies and uphold its commitments to community investments. She had determined after a review of the organization's structure that staff was facing challenges in making those things happen. She said the proposed changes were at the administrative level and did not affect operators and maintenance personnel. She said most of the changes were in redistribution of staff reporting to directors and reclassification of positions; changes reflected an earlier organizational structure and incorporated efficiencies and modern business principles to produce a better investment in the community. When an organization became too lean it was no longer effective and changes represented an investment in the District's future.

Ms. Jackson used a slide presentation to compare current and proposed organizational structures and highlight recommended changes. Under the new structure, she said the following department heads would report directly to her:

- Internal Auditor
- Service Delivery (operations, maintenance, public safety, accessible and customer services, Point2point, operations/maintenance training)
- Planning and Development (short-range planning and long-range planning)
- Public Affairs/Governmental Relations (clerk of the board, public information officer, marketing and communications)
- Administrative Services (finance, human resources, information technology, facilities, procurement, compliance)

Ms. Jackson said the new structure would allow her to oversee the delivery of large projects, facilitate coordination of all agency communication and messaging functions, and improve accountability.

In response to a question from Mr. Kortge, Ms. Jackson said that having the clerk of the board position report directly to the general manager had served to isolate that position from all of the other agency public communications; the change would create more cohesion among those involved in public communications.

Ms. Jackson said the heads of the Service Delivery Department and Administrative Services Department would be assistant general managers, the managers of several divisions within those departments would become directors and some directors would be designated as program managers. She said a financial analyst position was restored in order to maintain an adequate system of checks and balances. An associate planner position had been added to increase the capacity to manage multiple projects. She stressed that bringing all communication functions under the Public Affairs Department would assure a consistent message and give all projects the same level of public communications and messaging. She said adding positions would mean work that had been deferred in the past would now get done and assure that staff time would be charged to the appropriate funding source, such as project budgets, if different than the General Fund. She said the budget was being presented as if there were no grants and committee members could understand the magnitude of the impact. She said if LTD did not have the number of projects it did the additional staff would not be necessary. The changes would align funds with projects and their responsibilities. The budget would also be tighter and not include large "cushions" so that staff would need to manage well and be accountable.

Director of Operations and Customer Satisfaction Mark Johnson said another major change was the proposal to bring public safety services in house. LTD contracted with G4S for those services for the past 15 years and had a good relationship with the company, but it had become increasingly difficult for G4S to recruit the level of officers LTD required. A turnover in officers also made it difficult to maintain the necessary level of safety and security for LTD. He said hiring officers who were employees of LTD would help recruit better candidates. Not paying contract overhead costs would allow the District to provide officers with benefits and thereby improve retention rates. It would also give the District greater control over recruitment, training and expectations of employees, which was especially important as the system expanded.

In response to a question from Ms. Bruebaker, Public Safety Manager Frank Wilson said the current authorization for public safety officers was 14.5 FTE, with three of those positions fare inspectors.

Mr. Kortge asked why officers would be more likely to stay on the job if they were LTD employees. Mr. Johnson said that while G4S paid a decent wage it did not provide benefits. The current proposal to bring services in house was budget neutral because the cost of benefits would be offset by not paying contract overhead, although he acknowledged the cost would increase in the future as more officers were added. Ms. Jackson expected that efficiencies would be realized through training and technologies when officers were District employees. Those were investments the District was not willing to make in another agency's employees.

Mr. Gillespie indicated he strongly supported the proposal and the improvements it would bring to recruitment and retention of public safety officers.

Mr. Nordin asked if the officers would be represented employees. Mr. Johnson said the positions would be administrative, not represented.

Mr. Hinds supported the proposal. He felt it would clarify responsibilities and authority for bus riders who might not understand the relationship between LTD and G4S employees. He said it

would also be beneficial for public safety officers to receive the same LTD training as other employees.

Mr. Wildish asked if LTD had the capacity to provide the required training for public safety officers. Mr. Johnson said there would be some additional costs associated with training over time, but the District's liability was reduced. Ms. Jackson pointed out that G4S charged for the training its officers received as it was a for-profit business. She said while LTD officers would receive the same certification training, they would also receive training consistent with the District's organizational culture. Additionally, G4S employees were not eligible to receive training from government agencies such as Homeland Security; employees of public transit agencies were eligible to receive that training, as well as training from police agencies, at no cost.

Mr. Wilson explained he had met with local police agencies and LTD's public safety employees would be eligible for training and briefings and become part of the partnership among public agencies that employed their own public safety officers.

Fund Balance and Budgetary Reserve Policy — Ms. Hamm said the Board had approved the updated policy at its August 17, 2016, meeting. She said the policy was compliant with Oregon Budget Law. She pointed out that the General Fund adopted budget included in the Reserves category an Operating Contingency and Self-insurance/Risk Reserve of \$1 million each; Working Capital was budgeted at \$2 million. The Supplemental Budget would decrease Working Capital to \$2 million and move the remainder to Unappropriated Working Capital to be used in next year's budget. She said the change was primarily one of presentation; the process for using reserves or Working Capital would remain the same. She said the amount of reserves would move from 1.5 to two-three months, which was consistent with best practices and provided sufficient cash flow to accommodate the large number of grant-funded projects.

Ms. Jackson said the new policy represented a more accountable way of present the budget, required tighter fiscal management and placed restrictions on when unappropriated funds could be used.

Ms. Hamm said the new Fund Balance Policy allowed staff to identify how much was available for capital projects. She said Work Capital was budgeted at the two month level, allowing almost \$16 million to be transferred to capital projects, along with \$2.5 million that was previously appropriated. She said \$8.2 million would be transferred to Unappropriated Working Capital.

Mr. Wildish asked how matching funds for capital projects were included in the budget. Ms. Jackson said under the current budget the \$16 million was reflected as a lump sum in Reserve Working Capital, which did not show that those funds were already committed. She said once the District had accepted a grant with a match requirement, those funds were no longer part of the General Fund. Approval of the CIP would mean that those General Fund dollars were now committed to a specific purpose and not shown in the General Fund. Ms. Hamm said the list of capital projects had been thoroughly vetted and the exact amount of General Fund match for grant funds had been identified and moved to the CIP budget.

Mr. Kortge expressed concern with the number of new positions. He said the District's primary job was to transport people, which required bus drivers and mechanics, and questioned the need for positions such as a public information officer.

Mr. Gillespie said that in public entities such as the City of Eugene, most departments had a public information officer. He felt the position was necessary and gave the creation of Edward McGlone's position of government relations manager as an example of how LTD's interests were better served by bringing that function in house. He said connecting the clerk of the board position to public information

and communication functions would help the Board be better informed about District operations and activities and assure consistent messaging throughout the agency.

Ms. Bruebaker agreed with Mr. Gillespie and said it would add a level of transparency that LTD needed.

Ms. Jackson said that the proposed reorganization had been modeled before the recommendation was made to the committee and as a former operator she agreed that drivers and mechanics were basic requirements. However, the District was undertaking major projects that required close partnerships and clear and consistent messaging, as well as better education of the public about the reasons for those projects and how they would enhance service to the community. She said it was clear from focus groups that people who were not transit users had a negative view of LTD, but that opinion changed drastically when they were informed about the many services it provided. She gave examples of how negative publicity from some segments of the community had nearly compromised the receipt of grant funds for major projects. Public support of LTD's operations was critical. She said the public information officer would also keep the Board well-informed about all media activity.

Mr. Wildish liked the idea of having the Board more closely connected with media communications and better prepared to respond to questions from the public.

Mr. Hinds commented that he had been a long-time bus rider and the evolution of the system and transit technology over the years had generated media attention. He agreed that the District needed to effectively manage public communications for consistency throughout the organization.

Accessible Services Fund — Ms. Hamm said new grant funds had been received for three pilot programs and matching dollars from the General Fund were not required. She said the pilot programs were:

- Service for seniors and people with disabilities between Florence and Yachats
- Service animal certification evaluation
- Volunteer coordination

Ms. Jackson explained that several organizations in the rural and metropolitan areas used volunteer drivers, with each organization recruiting and maintaining its own pool of volunteers. The grant would fund a pilot for registering all volunteer drivers and allowing agencies to access that pool when it needed a driver, providing greater reliability for agencies that would be able to tap into a larger group of drivers. She said the program would be evaluated as the funds expired and the State would then determine if it was effective and funding should be continued. She said the funds would not be used until appropriated by the Board in the Supplemental Budget. Ms. Hamm added that if grant funds did not significantly change the budget by 10 percent or more they would be presented in the form of a budget resolution.

In response to questions from Mr. Nordin, Ms. Jackson said the City of Florence would use its existing contractor for the Rhody Express to operate the Florence/Yachats service. She said the service animal certification program would apply to the metropolitan area.

FY2017-26 Capital Improvements Program — Ms. Hamm noted that the CIP budget included several adjustments based on the results of vetting projects and funding was now tied to specific projects, which also included the required local matching funds.

Director of Administrative Services Roland Hoskins explained that the reconfigured CIP budget would align projects with the General Fund match and show that those funds were obligated to

specific uses and eliminate the perception that LTD had a large amount of money that was not being used. He highlighted notable projects:

- Willow Street Station - terminus of the West Eugene EmX Extension
- Bus Parking Lot Improvements - necessary to accommodate a growing fleet of all-electric buses
- West Eugene EmX Extension - a document entitled *West Eugene EmX Project Update* that identified funding sources and changes that impacted the budget was distributed

Regarding the West Eugene EmX project, Ms. Jackson said total project cost was \$100 million. Construction was currently at 60 percent with about two months remaining in the construction season. She hoped to reach 70-75 percent by the end of the season. She said that would make projection of costs to complete construction easier to calculate. She said the local match required for earlier EmX projects was higher than for the West Eugene EmX project.

Mr. Wildish asked about the anticipated reduction of \$3 million in Oregon Lottery Bonds revenue for the West Eugene EmX project. Mr. McGlone said LTD's initial request to the legislature in 2009 was for the full lump sum to cover State match for the grant, but the State lacked the bonding capacity and prioritization for the project to provide the full amount at that time; LTD was asked to return in future legislative sessions for appropriations over time that would equal the full amount. He explained that one legislature could not bind future legislatures to how funds would be spent and the subsequent appropriations were lower than the original request by \$3 million.

Mr. Nordin asked if the design of the parking lot improvements for electric buses would accommodate solar panels. Ms. Jackson said the project was still in development and design options would be kept open. The budget included funding for project design and scoping.

Ms. Bruebaker asked if the things that drove project cost changes on the West Eugene EmX project could be avoided on future projects. Ms. Jackson said the changes were not entirely unexpected. At the time the project was originally bid out there was not yet a full design; only a projected amount was available. As the design developed and details emerged costs were added and the initial estimate was too conservative. She felt the controversial nature of the project probably prompted staff not to inflate the estimated costs and provide the most conservative cost possible. She said the actual cost was actually fairly close to the original estimate and the handout explained details of some project changes.

Mr. Hoskins commented that West Eugene EmX was the largest public improvement project in the community's history and changes over the course of construction were expected. He also described the Santa Clara/River Road Station project. He said the full cost of the project was projected at approximately \$10 million.

Ms. Jackson said the Santa Clara/River Road Station project was budgeted over several years, but the budget included the full amount, with \$3 million from the State and \$4.1 million of federal 5307 funds. She said the remainder of the project would be funded from proceeds of the sale of an existing facility. The budget provided an entire picture of the total investment in each project.

Ms. Hamm said the CIP would be presented to the Board along with the Supplemental Budget.

Next Steps: Long-Range Financial Plan (LRFP) and Three- and Ten-Year Implementation Plans

— Ms. Jackson said the LRFP was a spending, rather than revenue/expenditure plan, and did not address long-term financial stability. She preferred to work from a document that addressed stability over the next 10 years, with assumptions based on prior years' experience and the LRFP. A plan to remain sustainable would look closely at how money and expenditures were

managed as the system grew and align with a three-year implementation plan. She said development of three- and 10-year plans would involve public engagement and reflect the community vision for its transportation needs and the role of transit.

In response to a question from Ms. Bruebaker, Ms. Jackson said approval of the budget would allow for creation of the new positions, although they might not all be filled during the current year. She said each budget should be part of a ten-year plan and not stand alone as a single year plan.

Mr. Gillespie said the FTE increase in the budget appeared to be about a six percent. Ms. Hamm said the addition of public safety officer would increase that to slightly less than 20 percent. Ms. Jackson noted that the G4S contract expired in December 2016 and would be extended on a month-to-month basis until the in house positions were filled. She said the projected cost increase for positions of \$160,000 presented the entire cost, but did not include the fact that some positions would be charged to project budgets instead of the General Fund.

DISCUSSION AND POLLING OF COMMITTEE MEMBERS — Mr. Kortge invited committee members to ask questions and provide comments on the proposed Supplemental Budget and CIP.

Mr. Gillespie observed that the \$1 million contribution to pension trusts would be split between both plans, with about 60 percent going to the Amalgamated Transit Union plan and 40 percent going to the Salaried Employees plan. Ms. Hamm confirmed that was correct.

Mr. Wildish expressed some reservations with bringing public safety officers in house. He did not the idea of increasing the number of public employees and was concerned with associated liabilities such as training and other factors. He would discuss the issue with Mr. Wilson.

Mr. Kortge agreed with Mr. Wildish and hoped the Board would have a follow-up discussion on the matter.

Mr. Yeh said his experience with an agency that employed its own public safety officers encouraged him to support the proposal, although he wanted more details.

Ms. Cline said her office was across the street from the Eugene Downtown Station and one of the growing challenges was how to deal with people with mental health issues that had not been addressed. She said having a security force responsible for safety that was also trained in how to handle situations involving a mental health crisis and represent LTD's organizational structure was a good idea.

Ms. Bruebaker noted that bringing public safety officers in house would only shift how funds were spent, not increase costs. She did think liability concerns should be explored. She said a public information officer would help to educate the community, be well-received and avoid assumptions based on misinformation.

Mr. Hinds liked the idea of a 10-year implementation plan. He said a public information officer could help educate the public about future plans and projects and how they would meet community needs.

Mr. Wildish said he supported all other aspects of the Supplemental Budget, but had ongoing concerns about bringing public safety officers in house. He commended staff for their preparation of the budget

MOTION APPROVAL OF FY 2016-17 SUPPLEMENTAL BUDGET — Mr. Wildish moved the following resolution: Be it resolved that the Lane Transit District Budget Committee approve the LTD Fiscal Year 2016-17 Supplemental Budget, with the exception of bringing public safety officers in house, and forward it to the LTD Board of Directors for adoption.

Mr. Gillespie said the budget agreed to a contract to bring public safety function in house and if that was not done, it agreed to contract for those services. He said nothing would prevent LTD and the Board from making a different decision in the future.

Mr. Kortge said since the G4S contract did not expire until December 2016 and could be extended on a month-to-month basis that would give the Board time for further understand the matter. Ms. Jackson said staff could provide the Board with information that had been collected during the staff's research on the proposal.

Mr. Hinds provided the second to Mr. Wildish's motion.

In response to questions from committee members, Mr. Kortge explained that the public safety officers issue was budget neutral and the motion would simply refer the policy decision on whether to bring that function in house to the Board.

VOTE The motion was approved as follows:
AYES: Bruebaker, Cline, Gillespie, Grossman, Hinds, Kortge, Necker, Nordin, Smith, Wildish, Yeh (11)
NAYS: None
ABSTENTIONS: None
EXCUSED: Diehl, Pierce, Thompson (3)

ADJOURNMENT

Mr. Kortge adjourned the meeting at 7:55 p.m.

Budget Committee Secretary