

MINUTES OF LANE TRANSIT DISTRICT

BUDGET COMMITTEE MEETING

Tuesday, May 16, 2017

Pursuant to notice given to *The Register-Guard* for publication on May 2, 2017, and distributed to persons on the mailing list of the District, the Budget Committee of the Lane Transit District held a meeting on Tuesday, May 16, 2017, beginning at 5:30 p.m., in the LTD Board Room at 3500 East 17th Avenue, Eugene.

Present: Scott Diehl, Chair
Jody Cline
Don Nordin
Kate Reid
Jennifer Smith
Kim Thompson
Gary Wildish
Carl Yeh
Aurora Jackson, General Manager
Camille Straub, Clerk of the Board
Lynn Taylor, Minutes Recorder

Absent: Ed Necker
Kathryn Bruebaker
Gary Gillespie
Dean Kortge

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

WELCOME AND INTRODUCTIONS: Ms. Jackson thanked Budget Committee members for their attendance and dedicated work on the District's proposed budget. She invited questions and comments during the budget presentation.

PUBLIC COMMENT: There was no one wishing to speak.

MOTION APPROVAL OF MINUTES: Mr. Yeh moved to approve the Minutes of the September 6, 2016, Budget Committee Meeting and the Minutes of the April 17, 2017, Budget Committee meeting as submitted. Mr. Nordin provided the second.

VOTE The motion was approved as follows:
AYES: Cline, Diehl, Nordin, Reid, Smith, Thompson, Wildish, Yeh (8)
NAYS: None
ABSTENTIONS: None
EXCUSED: Bruebaker, Gillespie, Kortge, Necker (4)

FY 2017-2018 PROPOSED BUDGET PRESENTATION: Director of Finance Christina Shew reviewed the Budget Committee's responsibility under the Oregon Local Budget Law and an outline of the presentation. She provided an overview of LTD's organization and core values,

which provided a context for the proposed budget. She said the budget message addressed investments in the community, responsible and efficient of public funds and managing for factors beyond the District's control. She explained how the budget responded to that message. She proceeded to details of the five funds: General Fund, Capital Projects Fund, Accessible Services Fund, Medicaid Fund and Point2point Fund.

Ms. Shew said the General Fund was the District's primary transit operations fund at \$52.4 million. Approximately 90 percent of General Fund revenue was derived from payroll and self-employment taxes (78 percent) and fares (10 percent). She said 95 percent of expenditures came from personnel services (62 percent), materials and services (20 percent) and transfers (13 percent). She described the details of both revenues and expenditures, including increases in revenue from taxes and passenger fares. She said the District's organization structure had been revised to consolidate functions by department and public safety functions were brought in-house. She noted that 83 percent of personnel was related to service delivery and there were no proposed increases in FTEs from the current budget.

Ms. Reid asked why there was a \$5 million increase in FTE cost if there was no increase in actual FTEs. Ms. Shew explained that additional bus operators and supervisors were hired during the fourth quarter of the current year; those positions were funded for a full year in the proposed budget. She said wages were budgeted based on the current Amalgamated Transit Union contract and no cost of living increase was budgeted for administrative staff. The medical plan rate was increased by 10 percent; any increase beyond that amount allowed LTD to revisit the plan. She said the increase amounted to \$60,000 per month.

Ms. Shew said the funding status of the ATU pension fund had remained relatively stable at around 66 percent. She said a onetime payment of \$1 million, authorized by the Board, was split between the ATU and administrative pension plans. No additional contributions were planned in the proposed budget in order to maintain the mandated reserve.

In response to a question from Mr. Diehl, Ms. Shew said the reserve was mandated by Board policy. She said state statutes also recommended a minimum reserve of two months operating expenses.

Ms. Shew said there were two plans for administrative personnel: a defined benefit plan for those hired before 2012 and a defined contribution plan for those hired later. She said the funded status for the closed defined plan had gone down due to several factors, including investment loss, increased number of retirees receiving benefits and decreased number of employees contributing to the plan. She explained how the investment loss was calculated and said the same investment strategy was used for both administrative plans.

Several committee members expressed concern about the investment loss. Ms. Jackson said a Pension Trust Committee composed of LTD representatives and, in the case of the ATU fund, ATU representatives managed the funds along with a consulting firm.

Mr. Diehl pointed out that the funds balances were as of June 2016 and there had been changes in the market since then. Assistant General Manager Administrative Services Roland Hoskins said it was important for the Pension Trust Committee to monitor the closed administrative plan closely.

Ms. Cline commented that the timing of the investment income losses in the funds was unusual.

Ms. Shew reviewed expenditures and key drivers in materials and services, which included fuels and lubricants, computer hardware, parts and tires, safety, cleaning, training and travel, general maintenance and repair, and insurance and risk services. She also reviewed General Fund transfers, a majority of which were to the Capital Projects Fund, followed by transfers to the Accessible Services Fund, Medicaid Fund and Point2point Fund.

Ms. Shew said transfers to the Capital Projects Fund were down by \$13 million from 2016 because the West Eugene service redesign had been completed. That was partially offset by expenditures to replace aging vehicles and upgrades to the Glenwood facility.

Regarding the Accessible Services Fund, Ms. Shew said federal assistance for accessible services had decreased by three points, to 57 percent, while rural services had increased by five points, to 14 percent. This was in comparison to the 2016 amended budget. She said overall the fund was up seven percent in revenues due to state grants for the Florence-Yachats service and increased ridership for that service. She said changes to or repeal of the Affordable Care Act (ACA) could potentially increase ridership within the Accessible Services Fund.

In response to a question from Ms. Reid, Ms. Shew said LTD staff time had always been allocated to the Accessible Services Fund, but that was not apparent in previous budget structures. The revised budget presentation was intended to provide more of that type of detail to the Budget Committee.

Ms. Shew said Accessible Services Fund expenditures were down by one percent, primarily due to the lower cost model for a new provider.

Ms. Reid noted the significant increases in rural services and volunteer coordination expenditures. Ms. Shew said the 32 percent increase for rural services was due to the grant funded Florence-Yachats service. Ms. Jackson said LTD had received a grant to develop a pilot coordination project to assist Lane County entities using volunteer drivers for rural and accessible services. LTD would act as a central coordination point for a pool of volunteers. The volunteers would not be LTD employees or provide any compensation for volunteers' expenses.

Ms. Cline said there was a need for a centralized coordination of volunteers among Lane County agencies and standardized compensation for volunteers.

Ms. Shew said a majority of services provided under the Medicaid Funds were medical-related and the proposed budget anticipated full reimbursement by the end of the year. Expenditures decreased by 17 percent as costs were reduced through efficiencies and use of a reimbursement model.

Ms. Shew said the Point2point Fund was newly created, having previously existed within the General Fund. She said it was primarily grant funded, with the exception of the van pool program that received assistance from the General Fund. She reviewed the various programs included within the Point2Point Fund.

Ms. Shew reviewed the budget development history and summarized the budget components:

General Fund Operating Budget	\$ 50.4 million
General Fund Non-operating Budget	11.9 million
Accessible Service Fund	7.4 million
Medicaid Fund	10.1 million
Capital Projects Fund	20.5 million
Point2point Fund	1.1 million
Proposed Appropriation:	\$62,257,024

COMMITTEE DISCUSSION/POLLING OF COMMITTEE MEMBERS: Mr. Diehl invited comments and questions from committee members.

Ms. Reid observed that within the General Fund department budgets there were no changes in the FTEs, but significant increases in personnel costs. She used Planning and Development as an example, with personnel services totaling \$685,500 in the current budget and \$1,150,260 in the proposed budget and no increase in FTEs. Ms. Shew said Planning and Development was comprised of two departments – Service Planning and Planning and Development – that were combined during the current fiscal year.

Ms. Reid said that still did not account for a \$500,000 increase in personnel services. Ms. Shew referred to pages 12 and 24 in the budget book, which set forth details of the separate departments that had been combined into Planning and Development. She said FTEs in those departments individually had remained consistent when combined, as had the cost of personnel services.

Mr. Wildish said he had the same questions about FTEs and personnel costs. He and Ms. Reid agreed that while they understood how the organization had been restructured, the way the information was presented was confusing and could be perceived as LTD staff receiving substantial raises. Ms. Reid suggested a clearer depiction of how FTEs and budgets intersected. Ms. Shew and Ms. Jackson said that change would be made prior to presenting the budget to the Board for approval.

Mr. Diehl asked if there was also a net zero change in Procurement. Ms. Shew said that was the case as employees had been moved from Finance and Maintenance to Procurement, with no additional FTEs.

In response to a question from Ms. Reid about the approximately \$1 million increase in computer hardware support, Ms. Shew explained that \$500,000 was for Trapeze software support, \$300,000 was for Microsoft licensing, \$100,000 for extra-Grid contract renewal.

Mr. Diehl pointed out an error on page 30 relating to Information Technology figures. Ms. Shew said she would provide a correction in the version presented to the Board.

Ms. Reid asked if grant funding was zeroed out in the Accessible Services budget details on page 36 because grants had not yet been confirmed. Ms. Shew said she would verify that before the Board meeting.

Mr. Wildish said in General Fund personnel services, medical and retirement costs totaled \$15 million, which was a significant percent of total personnel costs.

Ms. Reid commented that that percentage was typical for the public sector. The cost of health insurance in particular was high.

Mr. Wildish said the budget made no assumptions about the results of labor negotiations. Mr. Hoskins said the District was entering negotiations and assumptions could hamper that process.

Mr. Wildish commended staff for a very tight budget.

Mr. Diehl remarked that the unfunded liabilities in pension plans were very daunting. Mr. Hoskins said that changes made to plans last year lowered funding assumptions about return on investment and increased mortality tables, both of which increased the unfunded liability. He said the intent was to have a more realistic picture and look at ways to improve fund performance. He said the District was working with a skilled actuarial service that had created a "glide path" to reducing the unfunded liability over time with annual contributions.

Ms. Jackson said the Budget Committee could best serve the Board by expressing concern about areas of liability and making recommendations. She said there were a number of challenges to reducing the pension plans' unfunded liabilities and the District needed to identify a goal and adopt strategies to achieve it.

Ms. Jackson agreed with comments by Mr. Nordin and Mr. Yeh that there had been discussions about a goal of 80 percent funding for pension plans. She said that could be recommended to the Board and staff would research and present a plan for funding to achieve that goal using existing resources and foregoing other things that were currently funded.

Ms. Cline said the pension fund performance was concerning and trustees should examine the problem. Mr. Hoskins explained how trustees were addressing the problem. He said multipliers were designed to provide the glide path for decreasing the unfunded liabilities by increasing contributions to the plans each year. He agreed there were concerns with the fund performance.

Mr. Diehl said the subject of pension plans should be on the Budget Committee's agenda at its next meeting.

Ms. Reid asked why Point2point was now a separate fund with its own budget. Ms. Shew said Point2point funds had been included in the General Fund in prior budgets, but under the Oregon Budget Law should be a separate fund because it had revenue tied to specific programs and expenditures should be assigned to those programs.

Mr. Nordin asked why the state-in-lieu taxes were different. Ms. Shew said the figures were obtained from the Oregon Department of Transportation, based on its long-range forecast.

Ms. Shew summarized the action items/next steps identified during the committee's discussion:

- respond to questions about grant funding in accessible services
- determine the renewal cycle of extra-Grid
- reorganize the budget with regard to FTEs and align with expenditures
- correct error in Information Technology subtotal
- schedule future Budget Committee discussion of pension plans

MOTION APPROVAL OF BUDGET: Ms. Reid moved that the LTD Budget Committee approve the proposed Fiscal Year 2017-2018 Budget as presented and forward it to the LTD Board of Directors for adoption. Ms. Cline provided the second.

VOTE The motion was approved as follows:
AYES: Cline, Diehl, Nordin, Reid, Smith, Thompson, Wildish, Yeh (8)
NAYS: None
ABSTENTIONS: None
EXCUSED: Bruebaker, Gillespie, Kortge, Necker (4)

ADJOURNMENT: Mr. Diehl adjourned the meeting at 7:00 p.m.

Budget Committee Secretary