

MINUTES OF DIRECTORS MEETING

LANE COUNTY MASS TRANSIT DISTRICT
SPECIAL MEETING

June 14, 1977

Pursuant to public notice to the Register Guard for publication on June 1 and June 8, 1977, and Newservice 16, a meeting of the board of directors and budget hearing of Lane County Mass Transit District was held at the City Hall in Eugene, Oregon, on June 14, 1977, at 7:30 p.m.

Present:

Richard A. Booth, Treasurer
Jack J. Craig
W. Gene Davis, Secretary
Daniel M. Herbert, President, presiding
Annabel Kitzhaber
Kenneth H. Kohnen, Vice President
Glenn E. Randall
Phyllis Loobey, Budget Officer
Fred C. Dyer, General Manager
Mavis Skipworth, Recording Secretary

News media representatives:

Kathy Kucera, Register Guard
Warren Hill, Springfield News
Randy Lewis, KASH, Newservice 16

The chairman advised that this was to be a special meeting of the board of directors to hold a public hearing on the recommendations submitted by the budget committee on the fiscal year 1977-78 budget.

Reading of the budget message was dispensed with as copies had been distributed to all members of the board and to all persons in the audience.

Mr. Herbert said that following the public testimony he would suggest that the board defer action on the budget to the June 21 regular board meeting, and that the board direct the staff to prepare information for that meeting on the testimony presented at the public hearing.

PUBLIC HEARING: James Fletcher of Fletcher & Smart Appliance Company, 1351 Willamette Street, said he believed the payroll tax is discriminatory against the downtown business man, that it is not fair for this segment to be singled out to pay the tax, and that the tax should be distributed among the entire population being served. He observed that the closest bus comes three blocks from his business and that less than 2% of his customers arrive by bus. He said he believed that transit is necessary but he should not be penalized for having a work force and paying good wages.

Clark Cox, 1085 Patterson Street, Apt. #9, said he is a member of Citizens Advisory Committee representing the West University Neighbors, and that several members spoke in favor of a modest fare increase to improve the financial position of the district. Mr. Cox reported on a discussion at the Citizens Advisory Committee meeting of June 7 when members expressed different preferences for service improvements: 1) Sunday Service, 2) direct service from south Eugene to the

University of Oregon, and 3) to maintain some bus service on the Jasper route. He spoke of the hardship to the Jasper residents to be without service. He agreed with Mr. Fletcher that the payroll tax is unfair and endorsed Mr. Moulton's recommendation to implement the increase while pursuing implementation of an income tax. He said an aggressive transit program would increase the percentage of customers to Mr. Fletcher's company, and pointed out the availability of present service adjacent to that business.

Walter deMartini of 1313 Lincoln Street spoke on behalf of the new car and truck dealers in the Eugene, Springfield and Junction City areas. He said that while the dealers are cognizant that mass transit is necessary, they see empty buses and a tax increase disturbs them; that a tax based on payroll and not on earnings is unfair. He commented that the customers and employees come to his business, Kendall Ford, by automobile and the business does not benefit from transit, although the payroll tax costs Kendall Ford \$10,000 a year. He said that business costs are high and payroll cannot be decreased, and the dealers would like to have the board consider this carefully. He added that the tax was imposed on the employers, which constitutes taxation without representation.

Mr. Craig commented that the increase would raise Kendall Ford payroll tax by \$300. Mr. Booth said it would constitute a 6% increase on an annualized basis.

Leslie Smith, a businessman, said he appreciated the opportunity for open discussion and asked what method is being used by the district to determine the non-union compensation level. Mr. Herbert responded that staff salaries are affected by parity with corresponding union positions and through a correlation of surveys of positions and compensation of equivalent salaries in the private and public sector. Mr. Booth said he believed the salaries should be comparable with business payrolls in the district rather than other governmental agencies. Mr. Smith said it would seem that if he managed his business without having sufficient income to cover expenses and having to find someone else to pay the deficit, he would be looking for another job. He said the main thrust of disagreement in the community is the method of support for transit, that the board should recognize this or there will be serious repercussions. He said that while there is a need for public transit, the business community is opposed to Lane Transit District and the way revenues and expenditures are managed. He said business is a minority and cannot mount a large enough voice to be effective; that many local businesses compete with other businesses having headquarters outside of this area and not subject to the payroll tax. He spoke of his own business where 55% of the gross income goes directly to payroll and said that when a small tax increase becomes effective, a substantial part of the profit is affected. He said he believed a tax increase would be detrimental to business and the community.

John Tiffany of 65 West 30th Street, representing Tiffany Drug Company, said he reflected the sentiments of the other representatives of the business community and thinks the tax is discriminatory; that public transit should be based on a tax shared by everyone in the community. He commented that although the tax increase appears small, it is just one more increased expense being levied on business by governmental agencies, and in the aggregate, it is a very substantial part of the cost of doing business; that the costs entailed by regulatory concerns, taxing authorities and other licensing authorities, are increasing each year and he would encourage the board to look for some other way to finance the district.

Emerson Hamilton, President, Eugene Area Chamber of Commerce, said he had submitted a letter to the board but would now offer additional testimony. He reported on a meeting held this day by the Eugene Area Chamber of Commerce where they voted unanimously to oppose any further increase in the payroll tax to subsidize Lane Transit District programs. He said his board was pleased to

learn that the district has received conditional certification but asked why a payroll tax increase was being forced on those paying the tax. He said the Eugene Area Chamber of Commerce has always been in favor of a payroll tax that is limited to its present amount; that the chambers do not object to taxation with representation and any decision to levy additional tax should rest with the citizenry. Speaking for himself as part of the construction industry, he observed that what appears to be an insignificant increase, has a significant effect on the net profit as he operates on a profit of one to three percent.

Walter deMartini cited an example of inequities; that KASH radio carries advertising from an automobile dealer in Junction City who pays the payroll tax, and the same advertisement is carried for a dealer in Cottage Grove who does not pay the tax, which gives the Cottage Grove business an advantage.

Ron Kirtland said he lives in Lowell and was representing the hotel and restaurant industry, commenting that the district should concern itself with the ridership and expense of the service in the Lowell area. He advised that he had spoken to the board seven months ago, questioning the morality of having a Dial-A-Bus program competing for tax dollars against a suitable program already in the community; that his industry has tallied hundred of hours when the special buses have parked at Valley River Center with motors running, no passengers, and the drivers waiting for a call. He said the area has an ecology problem and the buses and service cost a great deal; that there is a private company in operation offering the same service, as well as taxi cabs, and that his organization believes the transit district should not offer that service as it is not needed.

Dick Hansen, 2747 Tomahawk Lane, said he believed the district should pursue implementation of an income tax to receive greater input from the citizenry of the community as to the type of service they want. He said the present method of taxation is a major issue and urged the board to find a different way of financing.

BOARD DELIBERATION: Mr. Herbert asked that the board give direction to the staff for preparation of additional information for the June 21 board meeting.

Mr. Craig suggested that a document and fact sheet regarding the history and financing of the district, and the problems attendant with it, be prepared to send to interested members of the business community. He briefly reviewed the formation of the transit district and the enabling financing. He spoke of prior attempts to initiate an income tax, finding that administration costs by the Oregon Department of Revenue were excessive; that there will be further study on the possibility of a personal income tax for the district. He advised that the payroll tax has been the only viable means of taxation, but revenues from federal and state funds have contributed greatly to the transit operation. He noted that the board members are not compensated for their service but have received adverse comment and he would hope a joint committee could be formed so the transit district and the business community could develop a program to present to the public.

Mr. Kohnen remarked that the board members are not in favor of the payroll tax, and spoke of the complexities of initiating an income tax. He reviewed the senior citizen reduced fare implemented by the legislature, and noted that farebox revenue could not support the full cost of transit. He said the board

will explore the feasibility of a personal income tax with a reduced payroll tax to achieve a broader base of financing.

Mrs. Kitzhaber acknowledged that the entire board was sympathetic with the business community, but believed an income tax could not be implemented without strong community support, and said she would be interested to know how much support the business community would give this action.

Mr. Davis said the payroll tax started at a low rate, with the business man's interest, but it has grown through the years to become a burden. He said he was in favor of pursuing a personal income tax with a low payroll tax. He observed that the staff had presented a balanced budget without an increase in the tax and he believed the increase was not needed, and if the board wished for business backing, it should show good faith.

Mrs. Kitzhaber asked about the legality under Oregon statute of levying a personal income tax and Mr. Herbert advised that the district's counsel had indicated it could be levied. The chairman said a copy of the counsel's opinion will be included in the agenda material for the June 21 meeting.

Mr. Randall agreed that the payroll tax is unfair, but that a joint effort is necessary to change it; that the business representatives come to speak only at budget meetings while their counsel and support could be received at the monthly board meetings. He asked if any board members had recently been invited to attend the chambers meetings. He said the board solicits and desires their help and support, and there should be communication. Mr. Booth said he had attended chamber meetings, but represented his own opinion rather than the consensus of the board. He said the chamber has sent a representative to district board meetings when there was an agenda item that warranted attendance, but that he had not received the attention he deserved; that he was certain the transportation committee would be glad to meet with the board. He said the testimony this evening has been in opposition to the payroll tax and the income tax should be pursued; that he agreed with Mr. Davis that an increase in the payroll tax is not needed and the board should consider the balanced budget without an increase, previously presented.

Mr. deMartini referred to Mrs. Kitzhaber's request for cooperation from the business community, and said his organization would like to have board members attend any of their regular meetings.

Mr. Hamilton said that Mr. Davis had spoken at a recent meeting of the Eugene Chamber of Commerce, and the meetings are open to anyone who wishes to speak. He referred to House Bill 2368, saying it would triple the payroll tax and he believed the board would lose credibility if the bill should be passed.

Mr. Herbert said he would try to prepare some proposals based on the information received, for inclusion with the agenda material to be considered at the June 21 board meeting. He asked for a tabulation of the needs for accumulating local share of capital acquisition in order to determine the amounts that should be set aside in the FY77-78 budget and for the following year. He requested information on the status of federal Economic Development funds, as well as an analysis of the legal possibility of using capital reserve funds as working capital, agreeing with Mr. Davis that the district cannot afford the luxury of capital standing idle. He stated further that if the funds are put in the state investment pool, he wished to learn how the return would compare

to inflation, and that the state investment pool is sufficiently liquid to permit use of the capital. He advised that proposals for realignment of routes and service will be presented for final approval, and asked for an analysis of possible effects on cost; and that the staff should report on other changes which have occurred since the previous budget estimates were made.

Mr. Craig expressed concern over Mr. Kirtland's comments about the Dial-A-Bus service and asked that the staff prepare a report for the next meeting and to send Mr. Kirtland a copy of the report.

Mr. Kohmen asked that the board be advised of the anticipated beginning fund balance as of July 1, 1977. He suggested that the proposed working fund would not be of sufficient size for investment, but only enough to eliminate a portion of the borrowing.

The meeting was adjourned.


Secretary