MINUTES

ADJOURNED BUDGET COMMITTEE MEETING

LANE TRANSIT DISTRICT

June 7, 1983

Pursuant to notice given at its May 24, 1983 meeting and distributed to persons on the mailing list of the District, a meeting of the Budget Committee of the Lane Transit District was held at the City Hall in Eugene, Oregon on June 7, 1983 at 7:30 p.m. The meeting was called to order by Committee Chairman Robert O'Donnell.

Present:

Board Members	Appointed Members
Peter Brandt, Chairman	Emerson Hamilton
Janet Calvert	Robert O'Donnell, Chairman, presiding
Janice Eberly, Secretary	Rosemary Pryor, Committee Secretary
Ted J. Langton, President	
Judy Nelson	

Phyllis Loobey, General Manager
Mark Pangborn, Budget Officer
Jo Sullivan, Recording Secretary

News Media Representatives:

Ben Lesser, KZI-TV
Mike Stahlberg, Eugene Register-Guard

Absent:

Larry Parducci	Paul Bonney
Glenn E. Randall, Vice President	Carol Erbe
	Raleigh Pedersen

INTRODUCTORY REMARKS BY COMMITTEE CHAIRMAN: Dr. O'Donnell stated that he would like to follow the staff agenda as listed and to keep line item discussion to a minimum, since the Committee had previously had the opportunity to discuss those items.

MOTION APPROVAL OF MINUTES: Ms. Calvert moved, seconded by Mr. Langton, that the minutes of the May 24, 1983 adjourned Budget Committee meeting be approved as

VOTE mailed. With no further discussion, the motion carried by unanimous vote.

COMMITTEE DELIBERATIONS:

Graphics: Ms. Loobey stated that the Budget Committee had asked a number of questions at the last meeting, including what happens if less than the budgeted amount is available for the graphics program. She explained that, in discussing this issue with people who do graphics work, staff learned that the District can move ahead at least to the extent of satisfying the needs for the equipment coming the following summer and a minimum of other things. The cost to finalize the specifications for that equipment and the design for letterhead was estimated at $2,980. Mr. Langton asked what impact a reduction would have on the proposed budget, to which Ms. Loobey replied that the money would be put into contingency or other changes would be made.

MOTION Mr. Langton moved that the appropriate line item for graphics be reduced to $2,980. Ms. Nelson seconded, and with no further discussion, the motion passed
VOTE on a vote of seven to zero, with Ms. Pryor abstaining and all others voting in favor of the motion.

FY 82-83 Supplemental Budget: Mr. Pangborn opened this discussion by explaining that, at the last meeting, questions were raised about whether it was possible to provide a refund to the payroll taxpayers from this year's money. He said that staff had put together for Board review three options; in doing so they had tried to detail some of the reasoning staff had used in proposing the draft budget, including whether a refund would be appropriate or funds could be used to offset future expenditures. He then explained how much money staff believed the District could expect the following year from specific sources. He said staff did not know until January that the District would receive $893,000 in Federal funds. During the first part of the year, staff anticipated that LTD would be short of funds and might be forced to reduce service in January; therefore, they had done their best to conserve funds. They cut back in areas, such as materials and supplies and personal services, which did not hinder the basic service of the District. Total administrative savings had been $496,258.

Mr. Pangborn then discussed the options detailed on pages 11 through 14 of the agenda packet. Options for refunding money included refunding the payroll tax, refunding Federal assistance, refunding the State payroll tax, and refunding passenger fares by reducing fares. He said he would focus on the first issue--refunding the payroll tax--as the most prudent alternative. Staff, he said, had originally proposed that the additional revenue be saved for future years, and explained that it cannot be left in the General Fund.

In order to save the money for future years, the District had the options of prepaying expenditures, such as for risk management, accrued leave, or capital projects, or creating reserves for future needs in the same three categories. He stated that it would cost the District $10,000 to refund the money by mailing checks to the payroll taxpayers, and if credit were to be allowed for future taxes rather than sending checks, it would cost $5,000. The Oregon Department of Revenue extimated that, of the total number of businesses in the District which pay payroll taxes (6,000), 10%, or 600, pay 90% of the tax. He named Bohemia, Weyerhaeuser, Sacred Heart, McKenzie Willamette Hospital as some examples, and said the other 90% of the businesses pay the other 10% of the tax.

Mr. Pangborn defined accrued leave as vacation earned but not taken as of June 30, the end of the fiscal year. New accounting principles require that such leave be fully funded within a reasonable period of time. Option #1 would fund accrued leave within three years; Option #2, within five years; and Option #3, within ten years.

In discussing proposed savings for the Capital Reserve Fund, Mr. Pangborn stated that the required match has been met for projects in progress, including improvements at Lane Community College, retrofitting the 500 series buses with wheelchair lifts, phase one of computerization, and improvements at the Eugene Mall, all of which were to be completed within the next six months. For planned projects, replacement of the Twin Coaches would require local match of $217,919. He explained that the District already had the local match, but not enough to fund the State's share if the State did not do so. Other planned projects, including improvements at the University of Oregon, 29th and Willamette, and Valley River Center, as well as bus stop improvements and a telephone system, would require a total match of $230,918.

In response to a question about what would happen if the District did not go ahead with planned bus replacement, Mr. Pangborn explained the fleet inventory chart. He said that the 100 series buses (the Twin Coaches), which have been in use since 1972, were poorly made and break down often, and parts are not made for them anymore. The 400 series buses have been in use since 1964. Mr. Pangborn also explained the projected replacement date for other buses, and the anticipated costs to do so. He stated that buses are bought in large numbers to minimize the inventory of parts that needs to be carried and to reduce the maintenance and training costs associated with new and different types of buses. However, he said, buying in large numbers does require long-term planning to meet the local match, and that $351,000 should be put into the Capital Replacement Fund each year. In addition, the District needs to plan for facilities repairs, shelters, or new facilities. In closing, he stated that the longer the District waits to accrue a reserve, the larger the allocated funds will have to be to purchase buses in the future.

In response to questions about the State and Federal funding, Mr. Pangborn and Ms. Loobey explained that State funds for local match were at that time being discussed by the Joint Ways and Means Committee and that capital funds had been removed from the Public Transit Division of the Oregon Department of Transportation. It had been suggested in the Joint Ways and Means Committee that if State payroll tax revenues came in higher than anticipated, that should take the place of the the State share of local match. If the State payroll tax was not higher than anticipated, some money was to be set aside in the State Emergency Board, and the District would have to apply to the Emergency Board for funds. The Federal government, said Ms. Loobey, was not concerned with whether the State provided 10% or the District provided the full 20% local match, just as long as Federal funds were not used for that match. The Federal money would be available until September 30, 1983, which was the end of the Federal fiscal year. Tim Dallas, Director of Operations, stated that the District's ability to extend the grant or carry over the request to the next fiscal year would depend on the competition for unused funds and budget decisions made by the Federal government. The District obtains funds from other transit districts that don't use them, and could lose the funds in the same way.

Ms. Loobey stated that the State legislative intent in the past had been to provide one-half the local match as long as the District leveraged Federal funds with the money; the State match would not be available if it was not tied to Federal funds. She said this was the third year the District would be trying to replace the Twin Coaches. The first year, the District did not have sufficient local match (10%) to match the State funds; the following year accumulated funds were used to make the improvements on the Eugene mall and the State funds were released for use by Tri-Met, Salem, and Medford because they had the local match and could leverage the Federal funds. Because of this situation, Mr. Pangborn stressed the need for the District to continue to accrue capital reserve funds, so we would not be in the situation of having Federal money available but no local match.

Regarding the Risk Management Fund, Mr. Pangborn stated that staff were proposing to prepay expenses for fire, theft, collision, liability, and Workers' Compensation. He said that $324,000 would fully fund Risk Management but would leave no reserve. The $324,000 figure is what the District would pay on the open market if it were not managing its own funds; however, he said, staff expected to spend $120,000 to $150,000 because costs are reduced by self-management.

Mr. Pangborn stated that Option 1 was based on a conservative estimate of revenues for FY 83-84. It did not anticipate expenses for accrued leave, capital reserve, and risk management, since savings from FY 82-83 had been allocated for those three areas. He mentioned that if the State capital funds were made available, the District would have a reserve of $223,000 in the Capital Reserve Fund.

He further explained that, under Option 1, the District would be reducing service by $50,000 for FY 83-84, due to such measures as discontinuing late-night Saturday service and not filling three and one-half vacant positions. If no current operators were laid off, the District could make use of part-time drivers.

Karen Brotherston, Accountant, had prepared a chart showing cash flow projections. In Option 1, the District would stay above the zero level for the entire year and would not have to borrow money to operate. In the other two options, LTD would dip below the level where money would have to be borrowed. This option did not provide a refund but would allow a reduction of the payroll tax if revenues come in higher than anticipated.

Option 2, with a refund of $283,859, showed the payroll tax revenue decreasing the amount of the refund for 1982-83. Interest income would be down due to less of a reserve. Service would be cut about $105,000, or a 3.1% reduction. That would include Saturday night, 20% on Sunday, a lay-off of two drivers, and the inability to use part-time drivers. Six hundred businesses, Mr. Pangborn explained, would receive an average refund of $426, and the smaller businesses, or 90% of the payroll taxpayers, would receive an average refund of $5.00.

Ms. Pryor asked why the District would cut service if there was no contingency, since the contingency was not required for the State match. Mr. Pangborn replied that it would not be cut immediately. If the State funds were not received, the District would then have to decide how to proceed--whether to cut the grant or cut funds from the General Fund.

Option 3, Mr. Pangborn explained, would refund $476,000, the maximum amount available. Service would be cut about 9%, or $300,000, including all Saturday night service, all day Sunday, and some weekday service; also, eight drivers, two mechanics, and one administrative staff person would be laid off. Reduced service would lead to a reduction in revenue from passenger fares. In answer to a question, Stefano Viggiano, Planning Administrator, stated that the passenger revenue figures were an estimate of actual loss and may be conservative, since people may choose to not ride at all as service cuts get deeper and deeper. That, he said, would be more difficult to estimate. Also, under Option 3, if the State match was not received, the District would have to cut service or not go ahead with the grant, in order to make up about $156,000. Under Option 3, 10% of the businesses paying the payroll tax would receive an average refund of $714, and 90% would receive an average of $9.00.

Mr. Brandt remarked that another option might be to see how the money comes in during the next year, after making the refund in the present year while operating at an Option 1 level for six months. After six months, the District could cut back if the revenues were not received at a higher rate than anticipated. Mr. Pangborn explained that there were some pitfalls to that option, such as having to make larger cuts for a six-month period than for a year, and the effect on service planning and marketing, since timetables and other informational materials have to be prepared ahead of time. The District would have to know by October if cuts were going to be made in mid-year, he said.

In response to other questions, Ms. Brotherston stated that January and February are the strongest months for receipt of payroll tax. Mr. Pangborn added that the District would know by October, November, or December what the Federal revenue would be.

The reason revenues for the present fiscal year, 1982-83, were not known until so late in the year is that Federal money was uncertain until January; staff were waiting to see the payroll tax figures on the payroll in February; and the labor contract was not settled until mid-March. At that point, he said, staff's perspective changed from that of worrying about having to cut service to planning ahead to budget for the next fiscal year with the savings. He explained that the most stable service the District can provide will the the most productive, since people can depend on it to be there when they expect it.

Mr. Brandt asked if there was any way to keep the money without putting it into dedicated funds. Mr. Pangborn replied that if it were not put into dedicated funds, the Federal government could take it back, up to the original amount of the grant. There followed some discussion about the possibility of the State not funding the local match to replace the Twin Coaches, and the importance of reserving money each year for future years' fleet replacement and capital projects.

Mr. Hamilton stated that he had some personal philosophical problems with continuing with Option #1. It was his opinion that, under that option, the District might be perceived as collecting all it can and spending all that is collected in order to balance at the end of the year. He commended the staff for their efforts in saving the money, and wondered if, even though the average rebate might be low, it would be of value to the District to return some money to the business community. Ms. Loobey commented that the businesses would have to declare the returns as income and pay taxes on them. She said the District staff had not received any telephone calls or letters regarding the proposed refund; however, staff had made an effort to discuss the issue with the business community. They had contacted a number of businesses and explained the Budget Committee proposals, and consensus of those contacted was that it would be good business management to follow Option #1 and look at lowering the tax rate the following year. She wondered if the members of the Budget Committee had had different kinds of feedback.

Mr. Brandt commented that he felt strongly that the people who pay taxes should have an opportunity to get something back when there is extra money, and thought it was too bad that, for accounting purposes, the District had to put money in a fund where it couldn't be used for any other reason. He thought that the money scheduled for capital replacement over the next 15 years was quite large, and wondered why it should be spent if the town was not growing. Mr. Pangborn replied that the Twin Coaches were not efficient to run and should be replaced now. He added that if the District did cut service, it wouldn't have to be replacing so many buses, but said that Congress was willing to direct money toward large companies such as bus manufacturers and was willing to supply a match of 80%.

Ms. Nelson said she also had some philosophical concerns, but thought the Committee should weigh the worth of a rebate to the District, especially if it had negative consequences on service. She wondered whether such a rebate would increase ridership or do something else for the District, other than create good will, and what the impact would be on the transit district now and in the future.

During a discussion of the District's perceived pyramid of spending and growth, Mr. Pangborn stated that the 600 series buses had been sold and there had been a 28% reduction in service over the last three years. He said the issue was really one of replacement, not growth. Mr. Dallas remarked that the philosophy stated in the TDP was that the District did not expect to grow in the next three years, and there had been no demonstrated demand for growth. He added that when staff and the Board talked about additional taxation, it was with the idea of adding to the present payroll tax base without adding additional tax revenues.

Mr. Brandt asked if anyone had done a survey to show how far back bus service could be cut before people complained. He had heard comments that Eugene had an outstanding bus system but that people believed LTD was overspending. Ms. Loobey replied that the staff perspective was that LTD is outstanding for a lot of reasons, but not that it was overexpending, and that staff had, in fact, been trying very hard to save money.

Ms. Calvert thought it was important for the District to be more than a commuter service, which was what options 2 and 3 would accomplish. She thought the Committee should approve Option #1, and that it would be more prudent to look at revenues over the next year before approving a refund. She thought it would be the Board's obligation to look at revenues and explore a reduction in the tax rate during the next year.

Mr. Langton stated that, if the program to increase ridership was not successful, the District would have to cut service because that level of service would not be needed. He thought the ratio of ridership to population was poor, and he had trouble seeing the District as a service agency. He thought LTD needed more support from the farebox and riders. He said he preferred Option #1 with a later refund. He added, however, that he thought a mistake was made in January by not offering a refund at that time, but he thought the taxpayers would benefit more at this time by "sowing" the money into the system.

Ms. Pryor asked what guarantee there would be that the Board would act on this issue in the fall. Mr. Langton stated that he could guarantee that, as Board President, he would bring it up for discussion; he could not, however, guarantee what the outcome of the vote would be. Ms. Loobey stated that all the Budget Committee needed to do was move that staff bring the issue back to the Board and Budget Committee at a specified time, and it would be done.

MOTION Ms. Calvert moved that the supplemental budget for Fiscal Year 1982-83 under Option #1 be approved with a net increase of $124,000, including funding accrued leave at $120,000, increasing the transfer to the Capital Projects Fund by $236,858, and increasing the transfer to the Risk Management Fund by $139,400; and that the Budget Committee be reconvened in November to reexamine the payroll tax income and examine the possibility of offering a refund to payroll taxpayers. Ms. Pryor seconded the motion.

Ms. Pryor commented that the District was in a unique position to refund money, and thought she might have supported Option #2 because it is important to make a gesture along the way which shows that the District is supportive of the taxpayers. She asked if the payroll taxpayers would pay taxes on money that might be refunded as a credit on future taxes. Mr. Langton replied that they would pay taxes indirectly, since they would have greater profits. Mr. Pangborn stated that a check in the mail would cost the smaller businesses more money to process than they received, but a credit would mean they would have a higher level of profit and would be cheaper for them and for the District to process.

VOTE Mr. Brandt called for the question. The vote was then taken, and the motion carried 7 to 1, with Mr. Hamilton opposing, and all others in favor.

MOTION **Allocation of FY 83-84 Expenditures:** Mr. Langton moved, seconded by Ms. Calvert, that the Budget Committee approve the Fiscal Year 1983-84 budget as amended at the June 7, 1983 meeting. With no further discussion, the motion
VOTE carried unanimously.

Mr. Langton recommended that the staff reconvene the Budget Committee as soon as the revenue information was available, instead of waiting until November. Mr. Pangborn thought it might be as soon as October, and Ms. Brotherston stated that the District would have the bulk of the payroll taxes on November 10.

ADJOURNMENT: Mr. Brandt moved that the meeting be adjourned. With no further discussion, the meeting was duly adjourned at 9:20 p.m.

Rosemary Pryor
Committee Secretary