MINUTES OF BUDGET COMMITTEE MEETING

LANE TRANSIT DISTRICT

November 29, 1983

Pursuant to notice given to The Register-Guard for publication on November 17, 1983 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 November 29, 1983 at 7:30 p.m.

Present:

Board Members	Appointed Members
Peter Brandt, Treasurer	Paul Bonney
Janet Calvert, President	Emerson Hamilton
Janice Eberly, Vice President	Robert O'Donnell, Committee Chairman, presiding
Judy Nelson	Raleigh Pedersen
Larry Parducci, Secretary	Rosemary Pryor, Committee Secretary

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

News Media Representative:
Mike Stahlberg, The Register-Guard

Absent:

Ted J. Langton
Glenn E. Randall
Carol Erbe

CALL TO ORDER: Dr. O'Donnell called the meeting to order at 7:35 p.m.

PUBLIC COMMENT: Dr. O'Donnell opened the meeting for public comment. The first speaker was Rich Ries, 825 Washington, Eugene, who introduced himself as a driver for Lane Transit District and an elected union official representing the contract employees. Mr. Ries stated that he supported Option #1 for the allocation of surplus funds, which he felt was the best allocation of surplus resources because it had an impact on the business community, the riders, and the public in general. He applauded management for their efforts for all employees in proposing the employee productivity bonus, and he urged the Committee to give the employees that recognition for their hard work.

The next speaker was Mrs. J. M. Fox. She stated that in the past, her husband had been one of the businessmen who paid taxes to the District. She thought it was fine that the District had a surplus, but it appeared that the estimate of what would be needed was, in fact, a little more than what was called for. She thought a lot of new things would be needed to keep the transit district going, including new buses. Her suggestion was for the District to invest the $900,000 at a large enough percentage that it could buy a couple of new buses each year so the rolling stock would be in good condition and the drivers would always have good equipment. She said it was a time when all taxpayers are trying desperately to maintain their standard of living as well as maintain the City. Since taxes are a prime income of the District, she said, it should be taken into consideration that they be held down as low as possible. She thought if the surplus could be used to keep the District going without having to go back to the public for more support other than ridership, it would be a very good idea.

There was no other audience participation.

REVIEW OF FISCAL YEAR 1983-84 REVENUES AND EXPENDITURES:

Staff Presentation: Dr. O'Donnell turned the meeting over to Ms. Loobey to begin the staff presentation. She stated that the Committee and staff were not there that night simply because of the Budget Committee's deliberations last spring; they were there because of events beginning four or so years ago. She said that the difficult times encountered by Lane County had hit LTD before they hit any other local unit of government, by virtue of the payroll tax, which responds very quickly in any quarter to what is happening in the business community. Because of this early involvement, the District had taken steps to maintain the integrity of the service. It appears that the District is also coming out of its economic problems sooner than anyone else, and while projections for the payroll tax growth were for four percent, it has, in fact, grown about six percent. She stated that staff anticipate that the growth will continue, as far as they can tell at this point, at one or two percent per quarter. Furthermore, she said, the other components of the District's major sources of revenue were also coming in higher than anticipated. Although there is still uncertainty about what will happen with Federal funds over time, there seems to be more stability with payroll tax revenues and with the ridership growth which the District has experienced over the last eight months. The District, she said, appears to be moving up and out of the slump and is in a much better, much healthier financial posture than other local units of government. Ms. Loobey stated that it was the Budget Committee's efforts last spring which hearalded the meeting that evening, and their backing, with budget dollars, of what staff believed to be measures to strengthen ridership that had paid off for the District since then. Another thing that has paid off, she stated, was the staff's ability to carry out the charge of the Budget Committee the last few years, and reinforce it, with the major objective being integrity of the service and the number one job of the District being to have buses on the street serving the community. She stated that the District now is probably the most efficient, effective system in LTD's 12-year history, from the standpoint of productivity and rider acceptance.

Ms. Loobey then commented to Mrs. Fox that she was correct about the need to replace equipment, but that buying small numbers each year would drive up the cost and would mean that the District would be unable to standardize the fleet. Mrs. Fox suggested accumulating money for the future, to which Ms. Loobey replied that the District did do that.

The next staff member to speak was Mark Pangborn, Director of Administrative Services and Budget Officer. He then discussed the revenue figures as listed in the agenda packet. He said that it had been anticipated that student ridership would be lower due to lower enrollment, that the economy would "bump along" as last year, but had improved, and that President Reagan would succeed in decreasing Federal operating assistance, but Congress had been able to negotiate for the same rate as last year. Additionally, the District's capital grant had been approved later than anticipated, which meant the money allocated for local share had been earning interest longer than anticipated. He added that the State in-lieu-of payroll taxes were expected to come in at the budgeted rate.

In looking at expenses, Mr. Pangborn said that expenditures were coming in two percent under budget, which is considered a close estimate. Staff did not recommend using any funds from this category; rather, the Budget Committee would have an opportunity to look at this issue in the budget process for next year.

Ms. Loobey then talked about the District's goals, and what goals staff focused on when deciding how to allocate additional revenues. The first goal was that of long-term stability for the District, including increased ridership, improved facilities, stable service (and the public's confidence in the dependability of that service), and new equipment. Another goal, she said, was to return revenues to the generating communities, such as the payroll taxpayers and the patrons.

Mr. Pangborn called the Committee's attention to Option 1 on page 8 of the agenda packet. He explained that the option of reducing the payroll tax for a period in the future was more economical and feasible than trying to return already-collected tax monies. Staff's recommendation would be to lower the payroll tax rate to .5% paid on gross payrolls from October 1, 1983 through March 31, 1984; on April 1, 1984, the rate would return to .6% of gross payrolls unless lowered by the Budget Committee and Board. He added that any reduction that occurred next year for a full year would be double that of the six-month period now being contemplated, and could possibly be beyond what the District could afford. He suggested that the Budget Committee review the budget for next year before making that kind of decision.

Mr. Pangborn explained that the Capital Reserve Fund provides the 20% match which is necessary before the District can make any capital purchases with Federal money. In order to plan on replacing the current fleet of buses within the next 15 years, the District would need to budget $150,000 per year for the local match. Capital funds are also used for shelters, bus stop pads, and all kinds of improvements. He added that long-range prudent planning and improved service is one way the District can offer paybacks to the community.

In explaining the recommended increase in Risk Management funding, Mr. Pangborn stated that the current annual cost is about $180,000, with increases of five to ten percent per year. It is a savings account in which the District anticipates future years' expenses by allocating funds to that account.

The recommendation for additional service and promotions was in response to overcrowding on certain routes and the desire to increase ridership on other routes. Special promotions such as the Lane County Fair service are a way to get people used to riding the bus, and staff would like to offer a couple more before the end of the fiscal year. Additional service would amount to only one percent of current service. Mr. Pangborn stressed that staff would not be adding so much service that the District would be unable to continue it next year.

Regarding the additional funding for accrued leave, Mr. Pangborn explained that, due to a change in accounting principles, an agency must fund all accrued leave at the end of the fiscal year. The District's accrued leave amounted to $213,000 as of June 30, 1983, with an unfunded balance of $93,000.

Mr. Pangborn stated that the recommendation for an employee productivity bonus, although not a significant amount in terms of the total of $900,000, had generated some news coverage. The recommendation was for a one-time productivity payment of $300 for full-time employees and $100 for part-time employees. The payment was being recommended, he said, in response to the employees providing their own time and energy for the District, which had resulted in increased system productivity and, therefore, a reduction in costs. He stated that the last four years had been difficult ones, with a 28% reduction in service and difficult labor negotiations. He credited the employees with being supportive of the District in spite of the protracted negotiations.

Mr. Pangborn further explained that Options 2 and 3 move different amounts of money within the categories discussed under Option 1. Staff and the Board Budget Subcommittee had worked together to provide three reasonable options that made sense for Budget Committee deliberation. The last three categories remained the same in all options. It was the thinking of the Budget Subcommittee that anything less than $400,000 in payroll tax reductions doesn't really recognize the taxpaying community's contributions over the years, and anything more than $600,000 doesn't take into account prudent planning for Capital projects and Risk Management.

Dr. O'Donnell asked if this would be a one-time-only situation, to bring the accrued leave fund up to the necessary level. Mr. Pangborn replied that, as salaries go up, the liability also rises, but that would mean only about three to five percent per year, and once it was funded at the $213,000 level, the District shouldn't have to deal with funding on that level again. In response to a question from Ms. Pryor, Mr. Pangborn stated that the District is required to fund the accrued leave as soon as feasible. It was Dr. O'Donnell's recollection that the Budget Committee assumed this would be funded in three to five years; Mr. Pangborn replied that adding these additional funds now would bring the fund to the appropriate level in two years instead of three to five.

Dr. O'Donnell asked if the Risk Management Fund was totally funded the previous year. Mr. Pangborn stated that it is totally funded now; the additional funds suggested for the fund would apply toward the next year and future years.

Mr. Hamilton asked to raise an issue of general concern for discussion. He wanted to clarify the difference between revenues returned to the business community, as in a refund of monies already paid, and the non-collection of monies in the future. He said he appreciated what the Committee and staff were trying to do, but was not convinced that it was appropriate. He said he had long expressed concern about the over-collection of payroll taxes and the fact that if they weren't needed, they shouldn't be collected, and that payroll taxes had borne two-thirds of the cost of the system. He saluted the efforts of the staff and recognized the difficult times, and thought it might be premature to become too optimistic about future revenue projections. He was also concerned about the unprecedented employee productivity bonus.

He mentioned that a number of years ago, the TDP (Transit Development Program) had established productivity goals and said that none of those had been met at this point, particularly the farebox-to-operating cost-revenues. He thought if the District wanted to measure what had been contributed by the employees, it ought to look toward the goals established some time ago, and if those were reached, then the District ought to look at this type of productivity goal. He said he appreciated the efforts of District employees in their off-duty hours, and thought it would probably not be inappropriate for the staff to set up some kind of system of reward for those who have ideas that can be incorporated to make the system more productive or cut costs. He thought also it would be appropriate for such a system to be a budget item to be approved by the Board and Budget Committee, and to be set up in advance so employees would know what goals they had to strive to reach. He added that employees who are being productive usually do contribute to the efficiency of the system.

Mr. Hamilton suggested the District look at building the Capital Reserve Fund even more than was proposed in Option 1. He suggested Option 4, which would include reducing the payroll tax by $400,000, increasing the Capital Reserve Fund by $192,000, increasing the Risk Management Fund by $135,000, funding additional service and promotions at $80,000, and funding the accrued leave liability at $93,000.

Ms. Loobey remarked that a number of quantitative objectives had been established, including such things as farebox-to-operating-cost ratio, vehicle productivity, and cost per passenger. She had not brought the figures with her, but stated that the District had made, in the last six to nine months, very strong progress toward some of those goals and had, in fact, exceeded some of those goals. For instance, she said, the cost per passenger had gone down 13% over the last quarter, which can be attributed to efficiency measures and the use of part-time employees. She stated that the farebox-to-operating-cost ratio remains the most elusive, and one identifiable reason is that, while vehicle productivity is up, when there is crowding on routes the District is required to send out a tripper bus, which takes away from the operating cost ratio advantage from having crowded buses. She mentioned that if we had buses with higher capacity, it would eliminate some of those problems because the labor costs would remain stable and the farebox/operating cost ratio would change, due to the fact that the buses would be carrying more passengers per payroll dollar. She said the Budget Committee should look very seriously at whether or not LTD should invest in articulated buses, and added that the new 800 series buses would have a higher capacity than any of the present buses, and would be put on those routes where they are needed the most.

Ms. Loobey stated also that the District didn't budget any capital reserve for this fiscal year, and that any cash carryover would go at the end to that reserve.

Mr. Hamilton commented that he appreciated the staff and thought they were running a fine system, but that he thought the use of public money for a bonus was inappropriate and a dangerous precedent. He said if it were appropriate, it should be combined with measureable standards.

Ms. Nelson voiced a concern she had about the issue of compensating employee productivity and what effect that would have on the quality of the settlement of the bargaining agreement. She wondered if the productivity bonus would imply that the settlement is inadequate or that there are not currently provisions that benefit employees through the system. Another concern she had was that of revenues being returned to the community that generated them in the first place; a reduction in payroll tax was her top priority. She mentioned the consensus last spring to fund the accrued leave liability over time, and voiced her concern that utilizing the present funds to further fund the three suggested funds was not appropriate. She stated that her personal suggestion would be to reduce the payroll tax, fund additional service and promotions in order to come closer to meeting the TDP goals, and to increase the capital reserve at a relatively small amount.

Mr. Brandt commented that the Board Budget Subcommittee spent several hours developing the options found in the agenda packet. They deliberated whether they should make reductions, but didn't want to do it at an inappropriate time and wanted to hear everyone's comments. The Budget Subcommittee was composed of Ms. Calvert, Ms. Eberly, and Mr. Brandt.

Ms. Calvert stated that she believed she could speak for the Subcommittee but would speak only for herself. It was her belief that Option 1 would do the best job for the District in trying to anticipate less revenue from the Federal government for the future, especially in putting some money away in Capital Reserve so the District would have more operating money to allocate to other services in the future. Ms. Calvert further stated that she personally supported the employee productivity bonus and that it simply says that people have done a terrific job. She said it may be precedent setting, but that didn't necessarily mean it wasn't good.

As a point of clarification, Ms. Pryor asked if the Risk Management Fund was already fully funded and if additional allocations would be savings. Mr. Pangborn replied that Risk Management costs the District about $180,000 per year for SAIF, workers' compensation claims, etc., and that this year LTD did have enough money in the fund to cover full liability. He added that when the fund was set up originally, the intent was to put enough money in to earn interest to be generated for the future. Any money put into the fund this year, he said, would not be needed this year but would earn interest and be used for future years' payments. He stated that if the District could cover future years' expenses that way, it would free up money to use on service in the future. He added that this can only be done in the Risk Management and Capital Reserve Funds.

Mr. Brandt added that it gives the District flexibility in providing working capital so it doesn't have to borrow money to meet present costs, as well as providing for future needs.

Ms. Loobey added that the potential for Risk Management is much greater than $180,000 each year; that if the District had a catastrophic loss, such as an accident with a bus full of people, it could cost much more. The potential liability is based on the amount of miles traveled, etc., and the $180,000 is to buy the insurances above and beyond the catastrophic loss, should we have one.

Mr. Brandt commented that the need to allocate additional revenues was a nice problem to have. He said some of it happened because of additional funds from the Federal government, but a large part was because the District was doing a good job and ridership was up and people working for the District were doing a good job, including increasing ridership; he said that if employees were not doing the job they were doing, ridership would not be up. He said LTD was "on a roll" and needed to keep the roll going; the District had a more positive image in the community and he wanted to keep that happening. He thought this type of program would do just that, and would basically return a substantial portion to the taxpayers, and would protect the District by providing good reserves for the future and allowing LTD to do some things that have to be done.

Dr. O'Donnell wondered if the District could set up a bonus system for suggestions without getting into the collective bargaining package. He suggested establishing a percentage of money, with rewards for the best productivity. He said he was not necessarily against the bonus, but it seemed to him there could be definite guidelines and bonus money that could be earned for efficiency or money-saving ideas. He said he knew there are people in the system who weren't putting out 110% all the time.

Ms. Loobey replied that staff are working to set up those kinds of programs. She mentioned the evaluation process for all administrative staff and working toward the same thing with the contract employees. She said staff were working on how to set up an employee suggestion program and how to measure the value to the District over time. She added that staff were looking at the State's suggestion system as an example.

Ms. Eberly asked what would be the anticipated timeline for such a system. Ms. Loobey said she would not suspect that a system which staff would feel greatly confident about would be in place for another year or so for all employees. She said some standards would remain the same, but that standards are different for all personnel and would have to be developed and tested, and those doing the evaluations would have to be trained; she thought all that would take at least another year. She stated that the District had had an evaluation system for administrative staff in place for four years, but in the last year had finally developed one that staff felt was worthwhile; also, it was not expected to remain the same as it was tested over time.

Dr. O'Donnell asked how the bonus would be paid if it were approved, to which Ms. Loobey responded that it would be paid to those employees currently employed, and could not be paid until after going to the Board for approval on December 20.

Mr. Hamilton stated that he appreciated everything Mr. Brandt had said, and that he was not adverse to plowing new ground. He still thought the bonus was a dangerous precedent to set and would come back to haunt the Board very quickly. He wondered what would happen to the tax bases if the City and County also tried such a program.

Mr. Pedersen stated that he had some concerns; that it appeared that 75% to 80% of the budget comes from the payroll tax, and that the excess in charges will become bonus money. He thought that when the business community had had an opportunity to receive a refund and when they saw the taxes going down and the effective running of service, it would be easier for the community to accept a bonus.

Mr. Brandt commented that it was an innovative idea and would probably create some negative comments, but he thought if the people making those comments were willing to obtain all the facts, they would see that the amount of the bonus would be fairly small but the benefits would be impossible to measure. He thought the issue could be presented in a positive manner.

Ms. Pryor asked what would happen if those who were to receive the $300 received $100 instead. Karen Rivenburg, Accountant, said that would cut the amount from $57,000 to $18,500 for 173 employees.

Ms. Eberly stated that, after hearing the discussion, she would personally feel more comfortable with giving further thought to looking at budgeting the money into the system, rather than cutting the amount. She thought it might spur faster completion of an incentive system.

Ms. Loobey responded to those concerns. She said that the budget for the next years would probably be asking for money for employee programs. She stated that she felt strongly that a one-time productivity bonus was a justified measure, and worth much more to the District and the success of the program in the long run than could be stated now.

Ms. Nelson asked Ms. Loobey to summarize where the idea of greater dollar value came from. Ms. Loobey replied that the idea came from the subcommittee process. She said that the ridership growth was phenomenal, and the Subcommittee looked at the fact that it had grown even though LTD was not putting out as much service as three years ago. The answer pointed to the fact that LTD had cut expenses so it could make system improvements that had been a problem for a long time. The improvements were not only in facilities, but also in the people who make the system go and encourage people to come back and ride, such as the drivers and the people answering the telephones, and the mechanics who keep the buses running and clean. She said it matters when a person is served with courtesy, friendliness, and helpfulness, and said District employees had maintained their standards of performance even through long and agonizing labor negotiations. She added that she thought the contract was settled appropriately with other transit districts the size of LTD across the country.

Ms. Pryor commented that such a bonus is almost standard in the private sector, but almost unheard of in the public sector. She thought it was more than in order for the public sector to consider, but she did agree that the number-one priority should be to reduce the burden to the business community. She thought $300 might be excessive and could be less and still appreciated by all. She added that just because it might be precedent setting, it was not necessarily wrong, and commented that it was one of the "rightest" things LTD had done, and might lead to greater productivity.

Mr. Hamilton commented that the Budget Committee members were trustees of public funds, and that was where he had a problem with setting those funds aside for the productivity bonus. He thought the taxpaying community would not stand for it if it were common.

Mr. Brandt moved that the Budget Committee adopt Option 1 as presented in the agenda packet. Mr. Bonney seconded the motion.

Dr. O'Donnell stated, in reply to questions from Mr. Hamilton and Mr. Parducci, that if this motion failed, another option could be brought up at that time, and that an amendment to the present motion could be made before the vote. Mr. Brandt called for the question.

Mr. Bonney commented that he thought it would be a shame to take away the proposal now and that it would be "morale unbuilding."

With no further discussion, the vote was taken, and the motion carried 6 to 4, with Hamilton, Nelson, Parducci, and Pedersen voting against, and Brandt, Bonney, Calvert, Eberly, O'Donnell, and Pryor voting in favor of the motion.

Dr. O'Donnell asked if there was any other business to bring before the Budget Committee. There was none.

Mr. Pangborn stated that the recommendation just approved would go to the full Board of Directors on December 20, and all numbers for the supplemental budget would probably go to the Board in January. He stated that budget deliberations for the FY 84-85 budget would begin in March of 1984.

Ms. Nelson moved, seconded by Mr. Hamilton, that the meeting be adjourned. With no further discussion, the meeting was unanimously adjourned at 9:00 p.m.

Rosemary Pryor

Committee Secretary