

MINUTES OF BUDGET COMMITTEE MEETING

LANE TRANSIT DISTRICT

April 3, 1984

Pursuant to notice given to the Register-Guard for publication on March 29, 1984 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 April 3, 1984.

Present:

Board Members

Peter Brandt, Treasurer
Janet Calvert, President
Janice Eberly, Vice President
Judy Nelson

Appointed Members

Paul Bonney
Emerson Hamilton
Robert O'Donnell, Committee Chairman,
presiding
Laurie Power
Rosemary Pryor, Committee Secretary
Roger Smith

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

News Media Representative:
Mike Stahlberg, The Register-Guard

Absent:

Larry Parducci, Secretary
Glenn E. Randall

PROSPECTIVE MEMBER: After calling the meeting to order and taking roll, Dr. O'Donnell, Committee Chairman, introduced John Watkinson, who was sitting with the Budget Committee. He had been nominated for Budget Committee membership by Board member Judy Nelson, and his nomination was scheduled for Board approval at the April 10 Board meeting, after which time he would be an official, voting member of the Budget Committee. Dr. O'Donnell welcomed Mr. Watkinson and stated that the Committee looked forward to working with him.

APPROVAL OF MINUTES: Mr. Brandt moved that the Board approve the minutes of the minutes of the June 7, 1983 Adjourned Budget Committee meeting, the November 29, 1983 meeting, and the February 21, 1984 meeting. Mr. Bonney seconded the motion. Ms. Calvert commented that Ms. Power had not been listed among those present at the February 21 meeting. It was pointed out that she had not become an official, voting member of the Committee until the Board meeting which immediately followed that Budget meeting, but Ms. Power was mentined in the body of

the minutes. Additionally, Ms. Pryor called attention to a letter being dropped from "KEZI" in the minutes of June 7. With no further discussion, the minutes were approved by unanimous vote.

ELECTION OF OFFICERS: Dr. O'Donnell stated that the Budget Committee is required by law to have two officers, a Chairman and a Secretary, who would function essentially as an assistant chairman. He then opened the nominations for Chairman.

Mr. Brandt nominated Dr. O'Donnell to continue as Chairman. Ms. Calvert seconded the motion. Mr. Hamilton moved that the nominations be closed and a unanimous ballot be cast for Dr. O'Donnell. After seconding by Ms. Pryor, the motion carried by unanimous vote.

Dr. O'Donnell then opened the nominations for Secretary. Mr. Brandt nominated Rosemary Pryor to continue as Committee Secretary. Mr. Bonney seconded the motion. Ms. Calvert then moved, seconded by Ms. Eberly, that the nominations be closed and a unanimous ballot be cast for Ms. Pryor. With no further discussion, the motion passed unanimously.

BUDGET PROCESS, TIMELINE, AND FUTURE MEETING SCHEDULE: Mr. Pangborn discussed the budget process memo beginning on page 22 of the agenda packet for that meeting. He noted that three further meetings had been scheduled, for April 24, May 8, and May 22, and that final approval of the budget had been scheduled for the May 22 meeting. Two other dates, April 10 and May 1, had been left open in case the Budget Committee felt it needed more time, but in the past, four meetings had been adequate. He then summarized the section of the memo dealing with the role of the Budget Committee.

Dr. O'Donnell asked the Committee members if they found it acceptable to put off any final comments or deliberations until they had heard the overview from staff. There were no objections.

PUBLIC COMMENTS: There was no comment from any member of the audience.

PROPOSED BUDGET:

Status Report on Current Fiscal Year Budget: In discussing the FY 83-84 budget, Mr. Pangborn explained that the revenues for this year are expected to be \$513,100 higher than anticipated, while expenditures are expected to be \$413,200 under budget, for an unallocated balance, or money remaining unspent at the end of the fiscal year, amounting to \$926,300. Federal regulations prohibit the District from carrying over a cash balance at the end of the year without the risk of losing the Federal grant moneys allocated for that year. Of the unallocated balance for FY 83-84, staff proposed to allocate \$726,300 to the Capital Projects Fund and \$200,000 to the Risk Management Fund. Mr. Pangborn explained that \$200,000 is what it would cost to run the Risk Management program in the next fiscal year, and allocating that amount from the unallocated balance at the end

of FY 83-84 would mean that the District would not have to allocate any funds from the following year's operating budget for risk management.

Mr. Pangborn then called the Committee's attention to the FY 84-85 Proposed Base Budget, found on page 5 of the Budget Message section of the budget notebook. He stated that increases in revenue were expected due to increases in passenger fares, payroll taxes, and Federal grant moneys. He explained that in the past three years, the District had held back \$150,000 in allocated grant moneys to use as a cushion for future cutbacks in Federal operating assistance. Those cutbacks have not yet occurred, and the District must apply for that money this year or lose it. He also explained that the payroll tax figures had been computed at the .006 (six-tenths of one percent) level. The rate was temporarily set at .005 and is due to increase automatically to the .006 level on May 1 if the Budget Committee and Board take no action to reduce the rate for a longer period of time.

Mr. Pangborn then discussed the three options for allocation of the \$1,294,600 projected FY 84-85 excess or revenues over expenditures, which had been prepared by staff for Board review and were found on page 6 of the Budget Message chapter of the budget document. The basic difference between the options was in the size of the amount returned to the payroll taxpayers through a tax cut and the size of the transfer to the Capital Projects Fund. Each option proposed that \$315,000 be spent on service enhancements; that amount is less than 5% of the total expenditures of the District, and would add service back into "pieces and holes" where cuts had been made in the past few years. Each option also contained \$24,000 to fund an incentive program, designed to increase employee productivity. Additionally, the options included \$15,000 for marketing programs to encourage continued growth in ridership. Also considered when staff prepared the options was the desire to respond to the system's current riders by not increasing fares through 1984. Mr. Pangborn stated that staff believed the District should be wary of actually decreasing passenger fares, and said that issue would be addressed later in the budget process.

Mr. Pangborn explained that a Capital Improvements/Replacement Program (CIP) is long-range planning in order to improve service, reduce operational costs, and create stable service. By creating and yearly updating a CIP, the District knows when equipment will have to be replaced and when fleet expansion should occur (especially in conjunction with planned growth in the community). He informed the Committee that eight years ago the District had no Capital Improvements/Replacement Program and no cash reserves, and sometimes had to borrow money to meet the payroll needs until tax moneys were received. Then the Board approved a plan calling for annual contributions to the Capital Projects Fund, in anticipation of replacing buses, making passenger boarding improvements, and improvements in the operational facilities. To this point, he said, the District has concentrated on the immediate needs of bus replacement and passenger improvements, and has not been able to fund anything but "bandaid" improvements in the operational facilities.

Mr. Pangborn also explained that this year the District had developed a 20-year plan, consisting of two parts: a three- to five-year plan, and a five- to

20-year plan. The Capital Improvements/Replacement Plan is reviewed annually by the Board; it was reviewed in September, 1983 in preparation for the current fiscal year's grant application. He mentioned that the normal bus lasts 15 years and currently costs \$150,000 to \$160,000 to replace.

Mr. Bonney asked what the \$40,600 proposed in Option 3 would do if transferred to the Capital Projects Fund, as opposed to the \$220,600 proposed in Option 1. Mr. Pangborn replied that Karen Rivenburg, Accountant, would be discussing that issue later, and how quickly the District wanted to fund the Capital Projects Fund would be a key issue for Budget Committee deliberation.

FY 83-84 Unallocated Fund Balance: Mr. Pangborn then turned the meeting over to Ms. Rivenburg, who discussed in more detail the projections for revenues and expenditures which are found in the section titled "FY 83-84 Unallocated Fund Balance" in the budget notebook. She reviewed the fact that in November, staff anticipated receiving \$900,000 in additional revenues, and the Budget Committee and Board had directed that \$400,000 of those funds be used to reduce the tax rate from .006 to .005 for six months, with the balance being spread through several other areas, such as Capital Projects, Risk Management, and additional service and promotions. She stated that the State in-lieu-of payroll tax revenues are much higher than anticipated, and that the Department of Revenue expects that trend to continue through the rest of the biennium. In explaining the differences in projections for expenditures in the current fiscal year, Ms. Rivenburg stated that the savings in Transportation was in the area of personal services. Staff had anticipated that it would take about 18 months to phase in the use of part-time drivers, but it had only taken a few months to reach a high efficiency level in that area, including a reduction in overtime and in benefits. The savings in Maintenance occurred in lower than anticipated fuel and parts inventory costs, and the postponing of the bus stop replacement program. The total under-expenditures amounted to five or six percent of the total budget, so although the figure itself is large, the budget variance is not that large, she said.

Dr. O'Donnell asked about the savings in Administration. Ms. Rivenburg explained that the Administrative Analyst position had not been filled during the year, but that next year it would be reclassified and budgeted at about one-half this year's level in order to create a necessary position in the Planning division.

Capital Improvements Program: Ms. Rivenburg then called the Committee's attention to the Capital Improvements Program section of the budget notebook. She explained that it was organized by functional category over a 20-year period. The items listed under office furniture were largely replacement items, she said, except for items necessary for continuation and expansion of the computerization program. She added that a five percent inflation rate had been assumed. In the Maintenance category, the majority of the items listed were replacement items.

Ms. Rivenburg explained that the facilities improvements had been included in the Capital Improvements Program for several years but had not been done due to lack of funds to meet the 20% local match.

Ms. Pryor asked a question regarding Federal funding. Ms. Loobey replied that Federal funding is based on a formula using population density, and that when a district's needs exceed the amount allocated in this way, it can request additional funds from a discretionary fund, for which all transit districts compete. Ms. Rivenburg added that adequate Federal funds will be available in the next fiscal year, but after that the availability is more uncertain. She then used a chart to explain the Capital Projects Fund needs. She stated that the local capital required in FY 84-85 is \$889,500, of which \$800,000 has already been included in grant applications. The amount required for FY 85-86 is \$1,684,600. The total amount required for the next two years is \$2,574,100; the beginning fund balance for 84-85 is \$1,502,600. With an additional contribution of \$726,300 in FY 83-84 and a proposed contribution for FY 84-85 of \$150,000, approximately \$195,000 additional funds would be needed through 1985-86. She stated that staff believed it would be more prudent to provide money it already had rather than trying to obtain the necessary funds from the operating budgets in the next few years.

FY 84-85 Line Item Base Budget: The next area discussed by Ms. Rivenburg was the section titled "Line Item Base Budget" in the agenda notebook. In response to a question from Ms. Pryor, Ms. Rivenburg called the Committee's attention to pages 19 and 20 of that section and stated that resources for the Risk Management Fund are expected to be \$195,659, excluding the proposed FY 83-84 additional transfer of \$200,000, with expenditures expected at \$363,300. She stated also that accrued leave would be fully funded at the end of this fiscal year.

In response to other questions, Mr. Pangborn stated that the District self insures for workers' compensation claims up to \$125,000 for liability, and then carries catastrophic insurance at a lower rate. He explained that the District pays money each year out of the self-insurance fund, and if money is saved, it can be carried over to help sustain the program in future years. He repeated that the District would not have to allocate any money to the Risk Management Fund in FY 84-85 if it allocates the \$200,000 proposed in the supplemental budget for FY 83-84.

At this point, Mr. Pangborn stated that the next budget meeting was scheduled for April 24. It had been staff's intention to give the Budget Committee time to review the overview and printed materials before making any policy decisions on the actual budgets, but staff were prepared to go ahead with those discussions if the Budget Committee wished to do so.

Ms. Calvert commented that the payroll projections are extremely encouraging for the District and for the community if they continue as they appear to be going. Mr. Pangborn used a chart prepared by Ms. Rivenburg to explain that there is a difference of 11% in payroll tax base from 1982-83 to 1984-85. However, he said, the District would receive less than that because the tax rate had been lowered to .5% for six months. Staff had anticipated that the payroll tax growth would taper off for the end of this fiscal year; instead, the growth was double what had been expected.

Mr. Pangborn then gave the Committee an overview of what was scheduled to occur at the following budget meetings. The next meeting would cover the base budget for FY 84-85; the third meeting would involve discussion of the three options proposed in the Service Enhancement/Tax Cut Budget, and what the ramifications of those options would be; and at the last meeting the Budget Committee and staff would put together all those budgets and figures and make a final budget recommendation to the Board.

At this point, Dr. O'Donnell asked about the \$6 million scheduled for capital improvements the following year. Mr. Pangborn explained that the District's first priority for the Capital Improvements Program was to replace antiquated equipment; the second was for passenger improvements, and the third was for facilities improvements. He stated that some small remodeling projects had been completed in order to get the District through until it could meet the other two priorities, and staff were now proposing that the District look at the third priority which had been delayed due to lack of local funding. In the current year's grant, staff had requested funds to use for a consultant to perform a site study by looking at the District's maintenance and operational facilities, and to recommend long-term facilities needs and improvements. Mr. Pangborn explained that the \$6 million figure was put into the Capital Improvements Project in anticipation that the District will have to take some kind of action, whether it be remodeling the present facilities, selecting a new site, or something else. The District is finally in a position to address this issue, he said, with the first step being the site study and the second step being doing whatever is required as a result of the study.

Ms. Loobey added that for the last eight or nine years the District has taken a "bandaid" approach to its operational facilities and, as a result, the employees are spread out in four or five buildings on two sides of the street. She said the largest resource would be for improvements to the maintenance facility, and stated that the District has two bus bays for more than 60 buses, with new buses arriving in the fall, while the industry standard is one bay for every 10 buses. Whether or not the industry standard is appropriate for the District, the District's present use of portable jacks and other make-shift methods are not ideal and affect the efficiency of the operation. As further explanation, she stated that the bus washer and fuel island and coin retrieval areas are on different sides of the street, and activities that could be done in the same location now cause the buses to be moved around the property all night long. She also mentioned the inadequate storage and inventory space, stating that the District has had to use warehouse lockers for storage. She said staff do not now know the full measure of the inadequacies of the facilities, or how they should ideally be put together; that kind of information will be better known after the site study is finished in the next five or six months. The site study would then be reviewed with the Board and the District would have to apply for additional Federal monies to fund such a project.

To summarize, Mr. Pangborn stated that staff know the District has a need, but won't know exactly what that need is until other properties are studied and

the site study is completed. He said also that there are a number of steps necessary between now and completion of such a project, and the estimated \$6 million would most likely be spent over a two- or three-year period.

Tim Dallas, Director of Operations, commented that now is an advantageous time for the District to approach the problem of facilities improvements because land and construction costs are lower than they have been in the past. He said the vacancy rate around the District's property is high, and the District might be able to save money by beginning work on this project in the next year or so.

Ms. Pryor asked if the District would receive anything from the sale of the Twin Coaches. Mr. Pangborn explained that 80% of the money from the sale would go back to the Federal government and the District would receive 20%. The Federal government's 80% would have to be returned to the government and could not be kept by the District to be used as Federal funds.

In response to a question from Dr. O'Donnell regarding a new telephone system, Mr. Pangborn explained that by buying a telephone system instead of renting, the District can use capital funds for what is now an operational cost. Local area governments are working together on a joint bid process for purchasing telephone equipment.

There followed some discussion on articulated buses and the problems other transit districts have had when buying prototype buses. Mr. Pangborn stated that staff would be analyzing the capacity of the new buses the District will receive in the fall, especially their ability to meet customer demand on high use routes. Only after that is done will staff look into the feasibility of articulated buses for LTD.

Ms. Eberly asked about a listing for mini vans in the Capital Improvements Program. Mr. Pangborn explained that non-urban service is presently running full-sized vehicles and not filling them up. Staff are now looking at running smaller vehicles which could meet the demand but allow for lower operational costs. The mini vans would need to carry up to 15 passengers and be lift-equipped.

With no further discussion on budget issues, Mr. Brandt moved, seconded by Mr. Bonney, that the meeting be adjourned to April 24. Ms. Loobey mentioned that staff anticipated a short Board meeting on April 10, and suggested that, if the Budget Committee wished, they could meet following the Board meeting on that date. Mr. Brandt then amended his motion to adjourn the meeting to April 10, 1984 at 7:30 p.m. in the Eugene City Hall. Mr. Bonney agreed to the amendment, and the meeting was unanimously adjourned at 9:20 p.m.



Committee Secretary