MINUTES OF ADJOURNED BUDGET COMMITTEE MEETING

LANE TRANSIT DISTRICT

April 10, 1984

Pursuant to notice given at the April 3, 1984 Budget Committee meeting, and distributed to persons on the mailing list of the District, an adjourned meeting of the Budget Committee of the Lane Transit District was held at the City Hall in Eugene, Oregon on April 10, 1984.

Present:

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

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

News Media Representative:
Mike Stahlberg, The Register-Guard

Absent:

Ted J. Langton	Laurie Power
Larry Parducci, Secretary	Roger Smith
Glenn E. Randall	

PUBLIC COMMENT: After calling the meeting to order at 8:30 p.m. and taking roll, Dr. O'Donnell asked for comment from members of the audience. There was none.

MOTION **APPROVAL OF MINUTES:** Mr. Hamilton moved, seconded by Mr. Brandt, that the minutes of the April 3, 1984 Budget Committee meeting be approved as distributed.
VOTE With no further discussion, the motion carried by unanimous vote.

BUDGET COMMITTEE DELIBERATIONS: Dr. O'Donnell stated that there were two items for deliberation that evening, and that they had been generally reviewed at the meeting the previous week. He then turned the meeting over to Mark Pangborn, Director of Administrative Services and Budget Officer.

Review of Fiscal year 1984-85 Base Budget: Mr. Pangborn called the Committee members' attention to the Line Item Base Budget chapter in their budget documents, and stated that division staff were present to answer any questions the Committee may have. He stated also that the Budget Committee would have to meet at least one more time to meet publication requirements in order to approve a supplemental budget.

Mr. Pangborn then turned the meeting over to Karen Rivenburg, Accountant, who asked the Budget Committee members to follow in the Line Item Base Budget chapter of the budget document while she discussed the FY 84-85 proposed budget in detail.

Mr. Brandt asked what the figure for operating assistance was based on. Ms. Loobey explained that it was the authorized level as published in the Federal Register, which, for LTD, was in the range of $893,000. Under the Surface Transportation Act, cutbacks in operating assistance for transit properties have been held to large and medium operators. She said small operators, such as LTD, had not been cut, so staff expected the entire $893,000.

Ms. Rivenburg explained that the increase in medical/dental costs for General Administration was due to the addition of costs for retirees in this category. Those expenses had previously been allocated from the individual divisions. Ms. Calvert asked why medical/dental costs did not increase, to which Ms. Rivenburg replied that costs were actually going up $10 or $11 per month per employee, but the difference may be in the rounding, since the District has basically the same number of employees. In response to a question asked by Mr. Hamilton, Ms. Rivenburg explained that the District is required by contract to pay the medical benefits of retired contract employees, and has also picked up the costs for one or two retired administrative employees. This expense was put in the Administrative budget because staff wanted to highlight the cost and because this is an overhead item rather than one which contributes to the costs of the Transportation division. Mr. Pangborn also explained that it is common in public service to have at least part of the medical/dental benefits paid after retirement, and said that LTD retirees receive a more limited package than employees do. He added that those costs were taken from the individual divisions and placed in General Administration in order to review and manage the costs and their impact on the District. Dr. O'Donnell asked if this year's cost was a large increase over previous years. Ms. Rivenburg replied that it is a slight increase over FY 83-84, and that two years ago the cost was substantially less. She added that it is not anticipated that many employees will retire in the next year or so, even though there are several who would be eligible.

Dr. O'Donnell then asked about the severance pay plan. Ms. Rivenburg explained that it was a new benefit for non-contract employees which was approved by the Board two months previously. The employees will accrue weeks of severance pay based on their tenure with the District; none will be accrued the first two years, one week will be accrued each year for the next five years, etc. This plan provides a method for long-term employees to receive some benefits comparable to retirement benefits. David Harrison further explained that this program is a 501(c) plan under the IRS, and is an actuarialy defined benefit plan based on years of service. Money will be set aside with the District's trust management company in Portland to generate interest and help pay for costs generated by years of service. The scale increases over time, so that by the time someone is with the District 20 years, he/she will have the equivalent of 52 weeks of severance pay. He stated that it is separate from the retirement plan, and is tied to a pre-retirement death benefit which is two times an employees salary. This is an aspect of the plan which allows it to be considered 501(c), he said.

Ms. Calvert said there had been some confusion about the term "severance." She explained that the purpose of the plan is not for when someone is fired, but for leaving the District for any reason. It is like a deferred compensation plan or a thrift plan, and is to enable the employees to accumulate a "nest egg" because they cannot receive their retirement money if they leave the District before retirement. Ms. Loobey further explained that if a salaried plan employee has been with the District long enough so the value of his/her retirement is over $1,700, that employee cannot take his/her retirement in a lump sum, but a contract employee can take retirement out in a lump sum at any time when leaving the District prior to retirement. She said the total for the first year's funding for the plan would be approximately $40,000, and that the plan should become almost self-sustaining over time.

In discussing the Line Item Base Budget for Personnel, Mr. Hamilton asked about the classification/compensation study. David Harrison, Personnel Administrator, stated that the District hoped to hire a private firm to do an in-depth study on compensation, to determine if LTD is truly reflecting what is happening within the industry and community. He explained that this study has historically been done by the District's Personnel division, but staff thought it might be time for an independent study by an outside organization. Mr. Pangborn added that this is a change in direction in that the new study would be done under the direction of the Board. In the past, he said, it has been an issue of the administrative staff bringing a recommendation to the Board rather than working at the Board's direction.

Ms. Eberly asked if the Board had requested an outside study. Ms. Loobey replied that the issue had been discussed somewhat through the subcommittee process and had been brought up to the Board in times past, but it had not been funded previously. She stated that staff thought it might be time for such a study, to resolve some of the issues that come up each year. An outside study could be done by a professional in the field who has resources that the staff do not have, especially in making judgments about what might happen in the future. Mr. Hamilton thought it might be more appropriate for the Board to ask for the study before the Budget Committee gave final approval to the budget.

Ms. Pryor wondered if Tri-Met performed such studies on a regular basis. Ms. Loobey replied that the District has made use of those kinds of studies from other transit properties over the last twelve years, and people are still wondering if the information and recommendations are appropriate or not, with the same questions coming from the Board and Salary Subcommittees each year. Ms. Calvert remarked that, although the Board did not make a formal recommendation to have an outside study, the issue was discussed and staff believed it to be an appropriate time.

Mr. Brandt commented that all that was being asked at that point was for the Budget Committee to approve the amount for the study in case the Board wanted to go ahead with it. He said if the Budget Committee recommends the money, it will mean the Board would have the right to do the study. He added that he would like to have the flexibility to decide this issue at the Board level. Mr. Pangborn added that the Board could cut the money out of the budget and allocate it to another area, or just not budget the money. Mr. Brandt added that the Budget Committee is representative of the whole community, and if it feels the study is not necessary, then maybe it should stop there and not be done. Ms. Eberly remarked that the District was paying a fee to Cascade Employers but that their survey was being done at the wrong time of the year to help the District. She wondered if the Cascade survey was pertinent and usable by LTD. Ms. Loobey replied that they do a survey in our area but they have changed the time of the survey so it is not usable. Another problem with the Cascade survey, she said, is the question of whether or not the survey data is comparable with LTD, and staff have had to use the data as being comparable without really knowing if it is.

Dr. O'Donnell asked Ms. Nelson, as a member of the subcommittee, for her feelings on this issue. She stated that she did not have a strong sense in either direction or of whether it would be valuable or not, since it was her first year on the subcommittee. She said it was not a major issue in the subcommittee discussions, but the issue of comparability was discussed.

Mr. Watkinson asked a question about the structure of the deliberations. Dr. O'Donnell answered that the procedure is to go through the entire budget and then go back and ask the Budget Committee members if they are comfortable with the budget or if they want to amend certain areas. He said that, at the present stage, they raise questions and get an overview on a more detailed basis.

With no further discussion on the compensation study, Gary Deverell, Safety and Training Supervisor, explained the Safety and Training Line Item Budget. In response to a question on the medical costs, he explained that one-half of the drivers would be given physicals this year, and one-half next year. The cost begins at $25.00 for a physical, and then rises correspondingly with the driver's age, smoking, etc. Dr. O'Donnell asked if there are guidelins for physical standards for employees. Tim Dallas, Director of Operations, replied that there are not presently any standards, but that this is an attempt to start a medical program and to eventually set standards. Ms. Nelson asked if sight testing would also be done. Mr. Dallas thought that would be a good idea. Mr. Pangborn stated that two issues were involved--those of trying to contain medical and SAIF costs. The District has begun this direction by limiting the monthly medical benefits payment for employees and by looking carefully at workers' compensation costs. All new employees will be required to take a physical before starting work, so the District will know where they stand, and if there are any problems, on the date of hire. He added that there is no state law setting such standards. Dr. O'Donnell commented that he thought this program was a step in the right direction and that he would like to see some standards evolve. It was his opinion that health maintenance programs could help save costs in the long run.

During a discussion on training and travel costs, it was explained that several two-week courses offered by the Urban Mass Transportation Administration (UMTA) were funded through the Safety and Training budget. The District is reimbursed by UMTA for those expenses. Mr. Pangborn explained that UMTA has done a lot of research and these courses are their way of getting the research to the transit industry employee and of creating better-trained transit personnel. He added that it was a benefit for the District, since staff could be trained for the cost of their salary, and staff, in turn, are able to meet people doing like jobs in the industry.

In discussing the Marketing Line Item budget, it was explained that the major change is in the new media campaign. Mr. Watkinson asked how staff decided how much money to spend on advertising. Ed Bergeron, Marketing Administrator, explained the the District was looking at a new campaign for radio, television, and newspaper advertising equivalent to what was done in 1979, when the "Take it Easy" campaign was new. The budgeted amount was based on staff's knowledge of what it costs to develop that kind of a program. Ms. Calvert commented that the new campaign was being developed in the continuing effort to get more people on the buses.

Ms. Pryor asked if the District had a long-standing relationship with only one advertising agency, or if it reviewed what was available in the community. Mr. Bergeron stated that the District had worked with several agencies, including Rubick & Funk, Cappelli Miles & Wiltz, and Brown/Wisner; that staff looked at the entire program about every four years to review the ad agencies in the community that are available and willing to work with the District; and that staff worked with specific agencies for specific projects.

Ms. Eberly wondered how long the campaign would be in effect and if all the production would be done at one time. Mr. Bergeron explained that staff are hopeful that the campaign can be used for four or five years, depending on the stability within the community and District. "Take it Easy" lasted five years in spite of the turmoil in the marketplace and LTD.

In response to Mr. Hamilton's question about a graphics standards manual, Mr. Bergeron explained that it is a book which shows the application for all ways in which the District might use the logo or related graphics, such as on the buses, stationery, facilities, shelters, advertising, etc. The manual is important as a reference for the future in case of staff changes in the ad agency or at LTD, and since all applications won't be done in the beginning of the changeover to the new graphics scheme.

Ms. Pryor asked about the special events promotions. Mr. Bergeron explained that this is a communications budget to help people find out about special promotions, and that sometimes the participants in the promotions reimburse the District for lost revenues and/or help promote the special activities.

Ms. Eberly asked about the need to change the "Take it Easy" campaign to something new. Mr. Bergeron explained that if something is the same way all the time, people tend to tune it out. The District would end up wasting money on advertising because the people stopped listening. Mr. Watkinson asked about the relationship between the amount expended and the return, in increased ridership or other areas. Mr. Bergeron stated that if the District establishes service, that service and how to use it must be communicated to the public. He said that many area residents were raised with cars and have not had experiences with using transit and how to apply it to their lifestyles. He stated that the District has no hard data, but the power of advertising depends on the media, an effective campaign, and getting information to the public. Mr. Brandt added that a lot of Marketing's budget is not just for advertising, but for things that need to be done, such as timetables, etc., and represents the day-to-day workings of the division.

The Committee members had no comments on the Planning and Customer Relations Line Item Budgets. In discussing the Transportation budget, it was explained that Transportation makes up 50% of the District's operating budget, and that salaries showed an increase due to the labor contract. Dr. O'Donnell asked if the District was looking at a change in the number of personnel. The budgeted number is 106 full-time and 18 part-time operators, and presently there are 103 full-time and the full allotment of part-time operators. It was explained that the budget allows an extra cushion for the following year, since changes in the bid would change the proportion of drivers.

In discussing the Vehicle Maintenance budget, it was Mr. Brandt's opinion that $515,000 for fuel for the buses was too low. He projected that the cost would be closer to $575,000.

During the discussion of Non-Vehicle Maintenance, Mr. Brandt mentioned a bus stop in Springfield which was all mud, weeds, and trash. Mr. Pangborn said that a contractor goes to the bus stops which are known to be high-use stops, and that part of the cost for shelter maintenance is for garbage service in some areas. Stefano Viggiano, Planning Administrator, also explained that the District does not maintain stops where there are no shelters; those stops are the Cities' responsibilities.

Ms. Rivenburg summarized the other categories in the Line Item Base Budget, and stated that the total proposed budget amounted to $7.1 million. There was no further discussion on the Line Item Budget.

Review of FY 1984-85 Tax Cut/Service Enhancement Options: Mr. Pangborn called the Committee's attention to the Tax Cut/Service Enhancement chapter in the budget document. He used a chart to show the three options proposed by staff and reviewed the memo on service enhancements in the budget packet. Mr. Viggiano explained that the service enhancements package was proposed after a detailed study of the District's service and needs. It does not add back service deleted during the last couple of years, but continues the emphasis on providing service where it is most needed and used. He stated that staff fully expect that this proposed service, after it has a chance to mature, will have a greater ridership increase than the present regular service. He added that fluctuating service levels have a negative impact on ridership.

The proposed service improvements for the Ferry Street Bridge area, which includes Valley River Center and K-Mart, are an effort to make service in the area more competitive with cars. Ridership growth in this area, he said, has lagged behind the rest of the District, due to a large degree to routing which is very indirect. Mid-day frequency is an important issue in ridership; as an example, doubling mid-day service on the Barger route more than doubled ridership on that route.

Other aspects of the proposed service enhancements include imporved frequency along major corridors, and a downtown shuttle connecting the UO, downtown, and the 5th Street Market area. Bus riders could transfer to the shuttle downtown, which would replace the #62 5TH STREET MARKET. The total for the proposed improvements, $315,000, amounts to a little less than 5% of the FY 83-84 operating budget. It was Mr. Viggiano's opinion that these improvements would improve the productivity of the entire system once they have a chance to mature and prove themselves to the public.

Mr. Hamilton wondered if the Board would choose to subsidize recreational trips on the system, which seemed to him to be beyond the mission of the District. Mr. Viggiano stated that staff were trying to increase trips to non-urban areas that summer; trying to attract the urban rider to ride to non-urban areas. However, he said, that issue had not yet gone before the Board. Mr. Pangborn commented on the intensive promotion to attract youth to the buses which was being planned for the summer. He said staff thought trips to Fern Ridge seemed like a good way to attract riders, and that the amount of money in the budget was not large. Mr. Viggiano showed that of the total cost of $36,900, $6,000 was proposed for recreational service, with the balance going to non-urban service. He said that those proposals were not specific because staff had received numerous requests from those parts of the District to add service, and staff needed to talk to people in those communities to design service that meets their needs. There is a perception that LTD draws off business from the smaller communities, so the District needs to plan carefully to meet the needs of those areas.

Ms. Loobey stated that the Board had not made a recommendation or policy on trip purpose in providing new service, and thought that recreational trips are undoubtedly being taken on the buses now, but the distinction is not made. She wondered if the Budget Committee was concerned about the marketing focus on recreational service. Mr. Hamilton stated that he had a problem with running the bus for fishing or swimming on a Saturday and subsidizing it to such an extent. Mr. Viggiano pointed out that mid-day service up the McKenzie River was requested by people who want to come in to town to shop, so the trips would not be exclusively recreational. The only bus now arrives a couple of hours before the stores open, which makes shopping trips unreasonable for the people living along that route.

Ms. Calvert stated that there were three options, and there was no reason the amounts had to remain in that proportion. Mr. Pangborn said the mix could change and the Budget Committee could even choose to make changes in the base budget. Ms. Eberly remarked that, if the Committee left the large categories as they were, with $315,000 for service enhancements, changes could be made within those categories. Mr. Pangborn proposed that, if the Committee members felt the recommendations were not appropriate after the review of the proposed enhancements, they make a recommendation for change to staff. He said the proposal was an integrated package, and changes may affect other parts of the recommendation. For that reason, staff would need to come back to the Committee with a new proposal. The total unallocated fund balance would be changed by changing the base budget.

Ms. Pryor commented that Option #4 could be to do none of the service enhancements and return all that money to the taxpayers. Mr. Pangborn agreed that that was a viable option. However, he said, staff proposed the enhancements be--cause they made sense and staff believed they are things the District should do. He added that there is flexibility in the proposed package, but it is staff's best judgment in terms of a good mix. Revenues do not all come from payroll taxes, and a significant amount comes from passenger fares, state in-lieu-of taxes, and the Federal government. To give all the money back in a payroll tax cut was, in staff's belief, not in keeping with the original intent of the revenues.

Ms. Pryor then questioned spending $384,000 to generate $69,000. Mr. Hamilton asked about the farebox to operating cost ratio. Mr. Pangborn stated that the District was at 21% system-wide, and the new service would take a year or two to become established.

Ms. Pryor wondered if the decision should be based on whether or not this was an appropriate time to increase service, and Ms. Eberly raised the issue of putting more money into capital projects. Mr. Pangborn replied that the amount for capital projects varied between the three options, and explained that the District had increased productivity for the past three years and had stable service and increased community spirit, but that the areas suggested for service enhancements were "holes" in the system where people were looking for better service.

There was no further discussion on these categories. Dr. O'Donnell informed the Budget Committee that at the next meeting they would discuss the incentive programs, the Marketing budget, and the issue of no fare increase through the end of 1984.

MOTION **ADJOURNMENT:** With no futher discussion, Ms. Calvert moved that the meeting be adjourned to Tuesday, April 24 at 7:30 p.m. in the Eugene City Hall.
VOTE After seconding, the meeting was adjourned at 10:07 p.m. with a vote of 8 to 1, with Mr. Brandt against and all others in favor.

Rosemary Pryor
Budget Committee Secretary