MINUTES OF ADJOURNED BUDGET COMMITTEE MEETING

LANE TRANSIT DISTRICT

April 24, 1984

Pursuant to notice given at the April 10, 1984 adjourned 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 on Tuesday, April 24, 1984 at 7:30 p.m. in the Eugene City Hall.

Present:

Board Members	Appointed Members
Peter Brandt, Treasurer	Paul Bonney
Janet Calvert, President	Emerson Hamilton
Judy Nelson	Robert O'Donnell, Chairman, presiding
Larry Parducci, Secretary	Laurie Power
	Roger Smith
	John Watkinson

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

News Media Representative:
Mike Stahlberg, The Register-Guard

Absent:

Janice Eberly, Vice President
Ted J. Langton
Glenn E. Randall

Rosemary Pryor, Committee Secretary

PUBLIC COMMENT: After calling the meeting to order and taking roll, the Committee Chairman, Dr. O'Donnell, asked for comment from members of the public. There was none.

BUDGET COMMITTEE DELIBERATIONS:

Complete Review of FY 84-85 Tax Cut/Service Enhancement Budget: Dr. O'Donnell turned the meeting over to Mark Pangborn, Director of Administrative Services and Budget Officer. Mr. Pangborn stated that he would like to quickly review what had been discussed in the first two meetings and then continue the discussion on the Tax Cut/Service Enhancement budget.

He explained one number change in the FY 83-84 year-end balance. That was originally expected to be $926,300, but had now been adjusted to $979,600, a difference of $53,300. The State of Oregon pays LTD a tax comparable to the payroll tax, known as the State In-lieu-of Payroll Tax. When the District first started receiving this tax, the State paid taxes on employees at the University of Oregon who were funded with Federal funds, people with research grants. The Federal government did not want taxes paid on these individuals, and brought the issue to litigation, which lasted three years. The Federal government prevailed in the suit; the District had anticipated this and had created a reserve to pay back the collected taxes. Those taxes had been paid back according to the State's figures on what the District owed. The State has now computed the actual figures, he said, and they are greater by about $53,000 than what they originally told LTD. The money was being returned to LTD in FY 83-84, in an amount closer to $376,000. This money, plus a slight adjustment in other grants received, including a reimbursement for some UMTA training, raised total revenues from $513,000 to $566,000, for a total increase of $53,300. He stated that this revenue amount was a combination of additional revenues and underexpenditures, and would leave the District with a balance of $979,600 in unexpended funds.

He reminded the Committee members that, at the first meeting, they had discussed the base budget for FY 83-84 and, because of the limitations on the use of Federal funds, the budget proposal to allocate the unallocated revenues in two categories: $200,000 to Risk Management; and $726,300 (now adjusted to $779,600) to Capital Projects.

At the first and second meetings, the Committee also discussed the FY 84-85 proposed base budget. This is the budget that, division by division, took this year's expenditures and service level and projected them into the following year, taking into consideration price increases and known inflationary increases, and resulted in anticipated expenses of $7,102,000. The projected revenues for next year, he said, are $8,396,948, with no significant change and with payroll taxes being computed at the rate of .006. The difference between the revenues and expenses is essentially $1.3 million, for which three options were proposed for allocation, in the Tax Cut/Service Enhancement budget. At the last meeting, he said, the Committee was able to discuss a payroll tax cut and service enhancements in the three separate options. At the end of the meeting, it appeared that there were still some questions about the service enhancements, so he had asked Stefano Viggiano, Planning Administrator, to be available to answer specific questions for the Committee members that evening.

First, he asked the Committee to review with him the category of Transfers to Capital Projects. He explained that the Capital Projects Fund is a separate fund for all the District's capital projects. The three options proposed by staff include three different transfers to Capital Projects which are paired with the options for the payroll tax. Mr. Pangborn explained that the Capital Projects Fund is driven by the Capital Improvements Plan (CIP), which was discussed at the first Budget Committee meeting. Staff have developed an annual plan for capital expenditures, and Mr. Pangborn showed Committee members a chart which summarized the District's capital needs for the next two years. He stated that the District is strong in planning for capital needs because of a long-term commitment by the Federal government to support capital with 80%-20% grants; even opponents of transit have been strong supporters of capital planning for the future. He explained that the chart showed the District's 20% need, which would be the match for the Federal 80% grants. The purpose of the CIP is to plan ahead for adequate local match to meet the District's capital needs in future years.

Mr. Pangborn stated that the local capital needs for FY 85-86 are $1,684,000 for a total local capital requirement over the next two years (84-85 and 85-86) of $2.5 million. For next year, the unallocated local match available is $1.5 million, and staff are proposing an additional contribution from FY 1983-84 of $779,000, as a transfer from the year-end balance. Also being proposed is a contribution from FY 84-85 of $150,000. This is the minimum amount that staff and past Budget Committees have projected that the capital fund would need in order to just replace the current fleet of buses. That would leave a total available of $2,432,200; the difference between the District's need and the total available through FY 85-86 is $141,900. This figure, he said, becomes very important in terms of looking at the three options in the Tax Cut/Service Enhancement budget. He explained that the $220,000 in Option 1 would be more than adequate to cover the District's capital needs for the next two years, and would leave a reserve for future years. Option 2 would cover a majority of the capital needs, or all but $12,000, and Option 3 would allocate a much smaller portion, with no savings for future years. Mr. Pangborn likened the Capital Projects Fund to saving for a new car, with a certain amount put away each year until the necessary amount is accumulated in a set period of time. Ideally, he said, if the District could start saving now for bus replacement for the next 20 years, staff would want to save $150,000 per year.

In summary, he said that staff are recommending that the Budget Committee approve Option 3, because the $40,000 transfer to Capital Projects could be matched by $150,000, which would cover all of the needs for two years. In addition, he said, if the District had even close to the success it had in the present year in terms of additional revenues and holding down costs, it was staff's expectation that there would be some money available, at a lower level than the present year, to transfer to Capital Projects at the end of the next fiscal year. In response to a question about interest income, Karen Rivenburg, Accountant, stated that if additional money is transferred to Capital Projects, the interest income in the proposed budget is a conservative figure, and more would most likely be generated by the transfer.

A question was asked about the projects listed under the first two years in the Capital Improvements Program in the budget document. Mr. Pangborn explained that Option 1 would fund all the projects in the first two columns (FY 84-85 and FY 85-86), with some money left over for savings for future years. Option 2 allows enough money to fund the first two columns within $12,000, and if the District is at all successful this next year, there will be money left over to put into Capital Projects at the end of the year. Option 2 would not leave any money to fund future projects. Option 3, for $40,000, would not fund all of the local share in the first two columns.

With no further discussion on this topic, Mr. Pangborn explained that the incentive program, included in the Tax Cut/Service Enhancement Budget, came about after discussion at the November meeting of the Budget Committee and Board; with direction for staff to develop a specific and particular incentive program for employees. He said the relative budget amounts were not large. Three programs were being proposed; to reduce absenteeism among bus operators; to reduce the number of calls which the employees are not able to answer at the Customer Service Center; and to reduce Maintenance road calls (buses that break down while on their routes). He explained that each program is modest, and the package is seen as an embryonic program. It is the District's first real experience at having monetary incentive awards for productivity gains. He stated that staff proposed to begin a program on a limited basis, rather than committing to a very large program that does not prove to be successful or that raises employees' expectations but cannot be maintained.

As an aside, Mr. Pangborn explained that incentive programs are not new to private businesses, but are unique to public agencies. However, he said, there are a number of public bus systems in the United States which have specific incentive programs which have carried over in their change-overs from private to public systems. Ms. Calvert asked about the Maintenance incentive program, to which Mr. Pangborn replied that the goal of reduced road calls will not result in a great monetary gain for the District, but there will be considerable gain in terms of customer satisfaction.

Mr. Smith asked about the current absenteeism rate for operators. Don Gray, Transportation Supervisor, stated that the current rate in Transportation is about 8%, including on-the-job injuries and sick leave. This means that the division is short about eight or nine drivers at a time. Ms. Calvert asked what departments would not have incentive programs. Mr. Pangborn stated that both departments (Administrative Services and Operations) would have incentive programs, but some divisions would not. The two divisions in Operations, Transportation and Maintenance) would have programs, and the Customer Service Center, as a subdivision of Marketing, would be the only division in the Department of Administrative Services to use an incentive program. He further stated that staff were working on the specifics of the incentive programs for discussion with the Board at a later meeting. If the Board chose not to fund those specific programs, the money would not be expended, or other options would be sought. The programs were not scheduled to take effect until July 1, 1984.

Mr. Hamilton asked if staff had looked at measurable goals across the property, for all employees. Mr. Pangborn stated that staff had discussed that issue, but had wanted to start a program on a more limited basis. The program for the Maintenance employees has built into it that type of reward system; if a certain level of improvement is attained, incentives would be paid to everyone in that division. He added that the success of incentive programs depends upon the property and the willingness of the employees to participate.

Mr. Brandt questioned the 8% absenteeism rate, stating that out of 2,080 hours a year, each person would miss 160 hours. Mr. Gray stated that last year's absenteeism figure was 7.5%, but explained that this figure includes people on industrial accidents, long-term illness, and even a two-hour doctor's appointment--everything except contractual time off, such as holidays and vacation time. Mr. Pangborn further explained that the average for LTD's size of bus system in the United States is 10% to 11%.

Mr. Brandt asked how much time the operators accrue, to which Tim Dallas, Director of Operations, replied that they accrue 12 days sick leave per year, and do not get paid for the first full day off for each illness. This is a provision in their contract.

Another issue for discussion in the Tax Cut/Service Enhancement budget was the proposal for the Marketing program. Mr. Pangborn explained that three new types of programs were proposed for the following year. The first was an intensive school education program to increase ridership of grade and junior high school students. This program was cut in past years due to budget cuts. The second proposal was for increased emphasis on football and basketball shuttles. Staff have been working with the Eugene Police Department to provide a priority lane for buses at football games, and would like to work to provide shuttles for basketball games, as well. These shuttles are an opportunity to get people who don't usually ride onto the buses. The third proposal was for a program to educate and encourage use of LTD's 100% lift-equipped fixed route system, with the arrival of the new buses in November or December. The system is presently about two-thirds lift-equipped, and the rest of the people use Dial-A-Ride. Staff are proposing to shift patrons from Dial-A-Ride to fixed route service whenever possible. Fixed route accessible service is more flexible for patrons and reduces the District's costs, and this would be presented to both reduced fare and regular patrons in a positive light.

The final proposal in the Tax Cut/Service Enhancement budget was for no fare increase in 1984. Mr. Pangborn stated that the issue of fares for the District is a tough one, with no reliable formula. The District is selling service about which people make decisions to ride or not ride almost daily. The issue is how to find a fare which maximizes the revenues the District can receive without discouraging people from getting on the bus, and which can reduce the subsidy from the payroll taxpayer. He said there had been some discussion earlier about lowering the fares. In order to maintain or increase the farebox-to-operating cost ratio, the District has to play catch-up for a period of time if the fares are reduced, especially if inflation raises operating expenses. Additionally, more riders are lost when fares are increased by a large amount than when fares are smaller and spread out over time. The issue now is to de-emphasize fares and become more sophisticated in offering fare specials and creating different ways to get into the different markets and encourage people to try the service.

Mr. Pangborn explained that the proposal for no fare increase for the balance of the calendar year does not preclude an increase in the winter or spring of 1985, depending on what happens with the Federal grant, payroll taxes, etc.

In summary, Mr. Pangborn stated that staff recommended Option 3 because it optimizes the return to the community, lowers the payroll tax rate for the coming year, and still addresses other concerns regarding service to the patrons and the community.

Ms. Power asked about tracking the reasons for recent absenteeism in order to evaluate the impact of the incentive program. Ms. Loobey said those records are kept on a daily basis, and that staff will be tracking the program to see if it works. She said staff could have figures useful to the Budget Committee by their November meeting. Mr. Pangborn added that there are presently employees who never use their sick leave because they have a personal commitment to their jobs. The aim of the current program, he said, is to balance the rewarding of those employees for what they do with the creation of a behavior change in other employees. That is the reason the District is starting with a small program--to find how to accomplish this in the best way.

Stefano Viggiano, Planning Administrator, then explained to the Board the specific service enhancements proposals. The process for developing the proposals included development of a "shopping" list or wish list from patrons and drivers; analysis of each item on the list, including data collection, type of service, past history, productivity, etc.; collection of more input from employees, particularly drivers, and patrons; and selection of the package based on ridership and productivity, how the parts fit with the overall design of the system, the impact on the District's budget, and the ability to sustain the service in future years. One example he used was a 21% loss of ridership on Willamette Street, which was attributed to a loss of direct service to downtown when the Fox Hollow route was rerouted through the University of Oregon instead of along Willamette. Staff anticipate an increase of 24.4 rides per hour by adding frequency along Willamette, and that should increase productivity over the entire system because of riders transferring at the mall.

Mr. Viggiano also explained why staff proposed to make these changes in September instead of phasing them in during the year. System stability is a very important factor for the District, with an emphasis being placed on making changes only once a year. Additionally, 40% of the District's riders are students, who seem to make their transportation decisions for the year in September. The major marketing emphasis is geared for the fall, with a newspaper tabloid and new system map tying in with new service for more exposure. Other reasons are that there are more training costs involved with the phasing in of new service, and that some of the individual components of the new service are related to others, so flexibility would be limited if they were phased in at different times.

Ms. Calvert stated that a frequent questions she hears from people is why the District does not have east to west service without going to the downtown mall. Mr. Viggiano replied that that type of service is available to some extent and staff are hoping to be able to move further in that direction. However, the system needs more riders or more major destinations before much more of that kind of travel can be planned. With the present system size, he said, the District still needs a central transfer point for timed transfers.

After some discussion on specific routes, a five-minute break in the meeting was called. Following the break, Dr. O'Donnell stated that the review of the three areas of the budget was complete, and asked for a motion on the budget for the current fiscal year.

DECISIONS AND BUDGET APPROVAL:

MOTION **Fiscal Year 1983-84 Supplemental Budget:** Mr. Brandt moved that the Budget Committee adopt the supplemental budget for Fiscal Year 1983-84 as presented, including a transfer of $779,600 to the Capital Projects Fund and $200,000 to Risk Management. Mr. Bonney seconded the motion.

Mr. Pangborn handed out a sheet listing the adjusted amounts for the supplemental budget. Ms. Rivenburg explained that the only necessary action for adopting this supplemental budget involves the extra revenue. At the end of the year, anything that is unexpected on the expenditure side will automatically be transferred to the Capital Projects Fund, so that the $413,000, or whatever the unexpended operating expenses turn out to be at the end of the year, will automatically be transferred. By adopting a supplemental budget, the Budget Committee would be specifying transfers of $200,000 to Risk Management and $366,4000 to Capital Projects, then the balance of expenditures also goes automatically to Capital Projects. Adding the $413,000 to the $366,400 results in the total transfer to Capital Projects.

VOTE With no further discussion, the vote was taken, and the motion carried unanimously.

Fiscal Year 1984-85 Base Budget/Fiscal Year 1984-85 Tax Cut/Service Enhancement Budget: Mr. Pangborn stated that these two items, although presented as a base budget and options, could be combined and discussed together. Dr. O'Donnell suggested they be done as one unless someone had major changes they wanted to bring up in the line items.

Mr. Hamilton stated that he was uncomfortable with the classification compensation study, and that he had not heard an overwhelming demand from the Board to do such a study. Mr. Watkinson asked if the study would have to be authorized by the Board before expenditures could be made. Ms. Loobey replied that after Budget Committee approval, the Board also reviews and approves the budget. The Board has the option to restore anything taken out by the Budget Committee, or change amounts put into the budget within categories up to 10%. They cannot add more, just transfer money around within the budget. If the study is allowed, it would be a Board study, which means that the Board would give staff direction to pursue the hiring of the consultant to perform the study. The Board could also decide not to do the study.

MOTION Mr. Hamilton then moved that $7,000 proposed for the compensation study be added to contingency and the compensation study line item be deleted. The motion died for lack of a second.

MOTION Ms. Power moved for approval of the Fiscal Year 1984-85 base budget, and the motion was seconded by Ms. Calvert. Mr. Bonney asked if it was proper to amend the motion to include any of the options presented by staff.

Mr. Hamilton then moved, seconded by Mr. Bonney, to amend the main motion to include Option 3. Mr. Hamilton stated that he was not thrilled with the incentive program and he hoped the Board would look carefully at that issue.

Mr. Brandt was not convinced about the service enhancements, that spending $315,000 would do what it should do for LTD. He thought the District might be getting into a syndrome of having extra money and finding ways to spend it. He was in favor, instead, of returning more money to the taxpayers, unless staff could show that those service enhancements would have a positive effect on the community and, in the long run, would cause a return to the District of a significant part of that money, or increase passenger revenues. Mr. Bonney stated that he thought Mr. Brandt had a valid point, but that he did not agree with it. He compared the proposed enhancements with the adding of evening and Sunday service a few years ago, and stated that the District is a better district than it would be without that service.

Ms. Loobey stated that she understood Mr. Brandt's level of discomfort, and said that it was not staff's attitude that they wanted to spend more money when the budget was being prepared. It was her belief that staff had taken a prudent and conservative approach, as they had over the last five years because of the District's revenue situation. When staff were developing the three options, they tried to keep a balance in the things Mr. Brandt mentioned. The $315,000 amount over nine months of the fiscal year amounts to 6% of the total service hours, and much of it has a very high potential for generating farebox revenues as the service matures. In many cases, she said, service is now being offered at overtime hours becasue the demand is there but the service is not. Mr. Viggiano had tried to show the Board what staff look at before coming to the Board to ask for additional service, and staff had seen a need and a potential for the proposed service to mature over the next year. Ms. Loobey further stated that it was staff's belief that the proposals are balanced with a fiscally conservative approach, and that in the long run the District will benefit.

Ms. Calvert commented that she knew of people who had ridden the bus but stopped because service did not run frequently enough or because it was not close enough to their destinations. She said she would hate to see the service remain the same because of peak efficiency. Rather, she said, it needs to be made more efficient for everyone.

Mr. Brandt stated that he thought service should be added if the demand is there, but not just to make things more convenient on every street. He thought the proposals for Willamette Street made sense, and possibly Thurston, but he generally felt that the District would be jumping into more service too fast and spending money when the community wasn't growing. He had some doubt that the payroll taxes would be as high as anticipated, and he didn't want the Board to set itself up to have to increase the payroll tax during the year.

Ms. Loobey stated that people have responded to increases in frequency with a greater increase in ridership than the service hours which were provided, and that patrons do respond to stability in service, as well.

Mr. Brandt asked if there was any way to adopt Option 3 and hold off on the enchancements until midway through the year, when the revenue picture is better known. Mr. Pangborn replied that the District will probably have received half of the payroll taxes by November, and will know better how the payroll tax rate is doing. At that time, staff would also know how much money is available in UMTA funds. In terms of lead time, the next logical time to add service would be in February, with the new driver bid. Staff's concern, however, was with putting out new service in the middle of the year as opposed to in September.

VOTE With no further discussion on the amendment to the main motion, the vote was taken. The amendment to the motion passed on a vote of 9 to 1, with Ms. Nelson voting against the amendment and all others voting in favor.

Ms. Nelson stated that she was trying to find a sense of balance between the stability of service and consideration of the negative impact on the payroll taxpayer. She was concerned that the proposals to add service were not in the direction of last November, when the Budget Committee members placed an emphasis on looking at the revenues and returning money to the payroll taxpayers. Ms. Loobey stated that that was the reason staff offered three options, and especially why they recommended Option 3 as opposed to Option 1. Even with the service enhancements, she said, the payroll tax requirements are anticipated to be less in the coming fiscal year than what were calculated for FY 83-84.

Mr. Brandt mentioned his concerns that it would be good to have money available in case the District has to pay for moving the CSC and bus transfer sites away from 10th and Willamette downtown. He said that the District had given a lot to the community and that the people running the organization had worked hard to make LTD a better system, which was why more people were riding the bus. He thought that was more important than just adding more service.

Mr. Watkinson asked which enhancements staff would add first if they had to prioritize the list. Mr. Viggiano stated that the Ferry Street Bridge area is a major shortfall in the system, and is the most major change, in the amount of $80,200. Secondly, staff would recommend the improved frequency on Main Street, for $48,700. Third in importance were the Willamette Street route and the downtown shuttle, which were tied together, at a cost of $88,000. His next recommendation would be for improved mid-day frequency on Royal, at a cost of $25,000, and following that, improved mid-day frequency on Fairmount/Jefferson, for $25,000. Lastly, he would recommend non-urban service, at a cost of $30,000.

Ms. Calvert asked why the shuttle was tied to the Willamette route, to which Mr. Viggiano replied that there is an hour headway on the system, and if a route takes 45 minutes, it has to do something else for the remaining 15 minutes. If two 45-minute routes are put together, a half-hour is left for the shuttle. It would cost the same if the shuttle were not run, so, in effect, the community is getting the shuttle for "free." He added that this shuttle would replace the 5th Street Market route.

Mr. Watkinson asked if the enhancement with the highest recommendation will generate the fewest rides per hour because it is so bad to begin with that it will take longer to reach productivity. Mr. Viggiano expalined that that is true because it takes the public longer to get used to a complete change from what it has been used to in the past.

MOTION Mr. Brandt then moved that the Committee eliminate all service enhancements and reduce the line item for payroll tax revenues by an equal amount. Mr. Parducci seconded the motion. With no further discussion, the motion failed on a vote of 4 to 6, with Brandt, Hamilton, Parducci, and Watkinson voting in favor, and Bonney, Calvert, Nelson, O'Donnell, Power, and Smith opposed.

VOTE

MOTION Ms. Nelson then moved that the service enhancements be amended to include (A) the Ferry Street Bridge proposal and (B) the added frequency on Main Street, and the rest be stricken and the payroll tax revenue be reduced accordingly, with the rate at .005. Mr. Hamilton seconded the motion.

Mr. Watkinson asked for the staff recommendation on this issue. Ms. Loobey wondered about the full extent of Ms. Nelson's motion--would the issue be reviewed in November, or dropped completely? She stated that moving ahead with parts A and B at this point would be better than nothing, but she had some concerns about another major corridor which was very heavily traveled. Ms. Power said she could not support the motion if it did not include the Willamette Street service.

VOTE The vote was taken, and the motion failed 4 to 6; Brandt, Hamilton, Nelson, and Parducci voted in favor of the motion, and Bonney, Calvert, O'Donnell, Power, Smith, and Watkinson were opposed.

MOTION Ms. Calvert moved that the proposed budget be amended to include service enhancements (A) Ferry Street Bridge, (B) added frequency on Main Street, (G) improved frequency along Willamette Street, and (H) establishment of a downtown circulating shuttle, with the accompanying savings reduced from the payroll tax line item. After the motion was seconded, Mr. Brandt stated that he thought the District didn't return as much money to the taxpayers this year as it could have. He thought a proper route analysis would show what revenues will be added for the next two or three years. Ms. Nelson thought the Ferry Street Bridge improvements could be an area of increased growth for transit, and the Main Street service could be an added improvement. She thought it was also important to capitalize on the growth already present in the community and do what can be done to add quality service to those areas.

Mr. Bonney thought the District was not like other districts that spend all they can; rather, he thought the buses were being run efficiently and LTD offered the best service with the resources available.

VOTE With no further discussion, the motion carried 8 to 2, with Mr. Brandt and Ms. Nelson opposed and all others in favor. Mr. Pangborn stated that that there would be changes in two line items and the totals for revenues and expenses would be reduced.

VOTE The vote on the main motion, as amended, was then taken. The motion carried on a vote of 9 to 1, with Mr. Brandt opposed and all others in favor.

MOTION VOTE Dr. O'Donnell thanked the Committee members for their deliberations. With no further business, Mr. Brandt moved that the Budget Committee meeting be adjourned. Mr. Bonney seconded, and the motion carried unanimously.

Rosemary Pryor

Committee Secretary