MINUTES OF BUDGET COMMITTEE MEETING

LANE TRANSIT DISTRICT

November 27, 1984

Pursuant to notice given to the Register-Guard for publication on November 16, 1984 and distributed to persons on the mailing list of the District, a meeting of the Lane Transit District Budget Committee was held at City Hall on Tuesday, November 27, 1984.

Present:

Board Members	Appointed Members
Peter Brandt, Treasurer	Paul Bonney
Janet Calvert, President	Robert O'Donnell, Chairman, presiding
Larry Parducci, Secretary	
Gus Pusateri	

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

Absent:

Janice Eberly, Vice President	Emerson Hamilton
Velma Scheve	Rosemary Pryor, Committee Secretary
	Roger Smith
	John Watkinson

INTRODUCTORY REMARKS BY BUDGET OFFICER: Mark Pangborn, Director of Administrative Services and Budget Officer, stated that the purpose of the meeting was for the Budget Committee to take a mid-year look at the current budget to see how the District was doing. The mid-year meetings were begun after a request from the Budget Committee a couple of years ago, rather than meeting for the first time each year in April to begin budget deliberations.

Mr. Pangborn highlighted the significant budget changes for the Committee. He explained that budget deliberations are begun six months before the budget is implemented, and things sometimes do change. The good news, he said, was that the District was on target for the year, and there was no deficit. However, he said they would be discussing several potential liabilities for the second six months.

ITEM FOR INFORMATION--Employee Incentive Programs Report: During budget deliberations in the Spring, the Budget Committee had expressed an interest in knowing what kinds of incentive programs were set up and how they were working. Gary Deverell, Safety and Training Supervisor, was present to give the Committee an overview of the programs.

Mr. Deverell called the Committee's attention to the details on pages 2 through 5 of the agenda packet. He explained that different types of programs had been proposed in each of three divisions. In the Maintenance division, he said, the aim was to reduce road calls (service calls for buses in revenue service). The District had been averaging 105 road calls per month. The incentive program provided that if road calls were reduced to 95 per month, each Maintenance employee would receive a $25 payment, and if road calls were reduced to 85, they would receive $50 each. The average for the quarter was 78, so each employee received a $50 bonus. At that time, the Maintenance employees asked to drop the program because they believed there were too many outside influences, such as drivers, passengers, etc., affecting the number of road calls.

The purpose behind the Customer Service Center's incentive program was to reduce the lost call rate, which is the rate of calls lost when all lines are busy and people hang up before being helped. The average in the past was 7.3%, and 6.5% was set as a goal, which would result in a $25 bonus payment for each CSC employee. If lost calls dropped to 6.0%, each employee would receive $50 for the quarter. The resulting lost call rate for the first quarter was 5.6%. A new goal of 5.6% had then been set, but already the lost call rate for October was down to 4.1%.

The most expensive program was in the Transportation division, and was based on the desire to reduce unscheduled absences. Page 3 of the agenda packet detailed the sliding scale for bus operators for a six-month period. Mr. Deverell stated that it was too early to make any conclusions about the program, but page 4 showed that there was an excellent downward trend in absenteeism in the division. As of November, the rate was about 3.4%. Mr. Deverell said the true test would come in January through June, months which normally have the highest absenteeism at LTD.

Mr. Deverell said all three programs were having the effect that staff had hoped they would. He thought that with more refinement the incentive programs could be even more effective and save money for the District.

Mr. Bonney wanted to know if the CSC program encouraged the employees to be short with people on the telephone in order to reduce the lost call rate. Mr. Deverell said there had been no complaints about such behavior. Ms. Calvert asked if a new plan had been developed for the Maintenance division. Mr. Deverell replied that the employees were looking for a program which could be truly monitored and in which the Maintenance employees could have an effect on the outcome.

ITEMS FOR ACTION:

MID-YEAR BUDGET PROJECTIONS: Karen Rivenburg, Accountant, explained that the General Fund revenues were $37,000 under budget. She talked about two significant items: passenger fares included a 7% increase over the previous fiscal year; and, although ridership is higher, special promotions and the lower weekend fare had resulted in lower passenger revenues than anticipated, of less than one percent above the previous year. Payroll tax revenues were 7% higher than the previous year after accounting for the change in tax rates, but the budget projection assumed that there would be no increase over the prior year for the balance of the fiscal year.

Mr. Pusateri asked if passenger fares had gone down because of the District's promotions. Ms. Rivenburg replied that they hadn't gone down, they were just not increasing as much as had been expected. Ms. Loobey added that ridership was up 8.6%, but fares were only up one percent. Mr. Brandt wondered if the District was giving away too much service. Ms. Rivenburg stated that the District may get some of the investment in promotions back with continued increased ridership, etc., but that staff did not feel confident at that point in projecting large increases.

In response to a question from Mr. Bonney, Ms. Loobey stated that ridership was up but the average fare was down somewhat due to promotions. She said that staff were looking very carefully at what was happening with the fares. She added that a year ago fares and ridership were growing at unprecedented rates and projections for the current fiscal year had been based on that experience. However, this year staff had placed a higher emphasis on promotions to get new riders to try the system, and that a 10% decline in LCC enrollemnt had had an impact on LTD's farebox revenues, as well.

Ms. Rivenburg also talked about three significant differences in expenditures. First, $140,000 had been budgeted for driver and mechanic positions due to service increases, but had not been filled. Second, there were no budget shortages in operating areas, and the $71,000 contingency would not be needed. Finally, she said, certain budgeted capital projects will be carried over into the next fiscal year, which reduced the need for a loan to the Capital Projects Fund by $106,000.

As further explanation, Ms. Rivenburg stated that a carryover of projects is typical each fiscal year, especially with the summer construction season. She said the District may want to look at General Fund variance to fund future capital projects.

Ms. Rivenburg said the Risk Management Fund was on target for the fiscal year, with and ending fund balance of $29,579 greater than budgeted.

Ms. Loobey stated that the mid-year position looked solid and good. One area which continued to keep staff alert for the two quarters was the payroll tax base, since the payroll tax revenues were showing a stronger economy than the economic forecasts were reporting.

Mr. Pangborn said it would be two years in February since the District looked at cash increases in the fare, and that would be one consideration, since in the long term the District wants to increase its farebox-to-operating cost ratio. He added that ridership on the weekends had increased tremendously but would have to double in order to make up for the half-price weekend fare. Stefano Viggiano, Planning Administrator, stated that weekend ridership had risen by about 17%.

Mr. Pangborn stated that LTD always provided a conservative budget and relied on stable service to gain credibility in the community. It is the District's experience that people will use the service only if they can be guaranteed that the buses will be there as promised. The current budget, he said, allowed the District to meet those goals. He then talked about some potential obligations in the next six months. First, capital needs will be looked at again when budget considerations for the following year begin. The Risk Management Fund had been funded entirely out of year-end carryovers, but that may not be the case during this fiscal year. Additionally, federal funding for operating expenses remains uncertain. President Reagan was not successful in cutting funds for transit in his first four-year term, but transit funding would probably be coming under close scrutiny again during this administration. Finally, the Eugene City Council had approved the opening of Willamette between 10th and 11th and planned to have the work done the following summer. This project may have an effect on the District, depending on the City's willingness to support the District's needs in this area. Mr. Pangborn ended by saying that he hoped staff would have as positive a report to give to the Budget Committee in April.

SUPPLEMENTAL BUDGET: Mr. Pangborn explained that the District was hoping to accomplish a Safe Harbor Leasing program, in which LTD would sell its unusable tax credits on the 31 new buses to a private company which could use the purchase as a write-off. Four years ago, Congress passed a law allowing Safe Harbor Leasing for transit, at the insistance of the New York City transit system. Tri-Met in Portland has sold tax credits on their buses. The sale would be only on the 20% local share, which would amount to $840,000 on 31 buses.

In order to take advantage of this program, he explained, the District must finance the purchase with a loan and then sell the tax credit. That evening, staff were asking the Budget Committee to approve the supplemental budget found on page 13 of the agenda packet, which would set up a short-term borrowing fund to meet a requirement in the Safe Harbor Leasing law. This transaction would cost the District no money.

He further explained that staff were interested in selling the tax credits on the buses because it would mean approximately $80,000 to $100,000 in additional funds for the Capital Projects Fund toward the middle or end of 1985. The money would come from private business. Kaiser Industries had bought Tri-Met's tax credits for about 12% of the local share. He said that, at the point when LTD begins negotiations with a business, the business will know what its profit is for the year and what its tax liability is. The purchaser can be any business in the United States. LTD staff would like to follow Tri-Met's example and send letters to all payroll taxpayers saying the credit is available and that the District would like to sell the credit locally. In Portland, no local businesses were interested and the sale went to Kaiser Industries. It is expected that there will be some fluctuation in the selling price, between 10% and 14% of the local share, and there will be some costs to the District for legal and brokerage fees.

In response to a question from Mr. Brandt regarding the loan, Mr. Pangborn explained that the loan only had to be for 1% of the total price of all the buses, and for a 60-day minimum. He said the law required that the sale be amortized over a 12-year period, based on the life of the buses. Mr. Brandt thought it would be foolish not to take advantage of a program which could generate $50,000 or $60,000 for the District, which, in turn, could generate $500,000 in federal matching funds. Ms. Loobey stated that if the Committee was comfortable with the program, they would need to act before December 31, but the Board would be able to act in January.

Mr. Parducci moved that the Budget Committee accept the supplemental budget as presented in the agenda packet. After seconding by Ms. Calvert, the motion carried by unanimous vote.

Mr. Brandt then moved that the meeting be adjourned, and the meeting was unanimously adjourned at 8:15 p.m.

JC Nichols

Budget Committee Secretary

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