MINUTES OF BUDGET COMMITTEE MEETING

LANE TRANSIT DISTRICT

April 9, 1985

Pursuant to notice given to the Register-Guard for publication on April 4, 1985 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 7:30 p.m. in the City Hall in Eugene, Oregon on April 9, 1985.

Present:

Board Members	Appointed Members
Peter Brandt, Treasurer	Paul Bonney
Janet Calvert, President	Robert O'Donnell, Committee Chairman, presiding
Janice Eberly, Vice President	Rosemary Pryor, Committee Secretary
Joyce Nichols	John Watkinson
Gus Pusateri	

Mark Pangborn, Budget Officer
Jo Sullivan, Recording Secretary

Absent:

Larry Parducci, Secretary	Emerson Hamilton
	Roger Smith

CALL TO ORDER AND INTRODUCTION OF BUDGET COMMITTEE MEMBERS: The meeting was called to order at 7:35 p.m. by Dr. O'Donnell, who then insured that all Board and Budget Committee members had been introduced.

PUBLIC COMMENT: No members of the public were present at the meeting.

ELECTION OF OFFICERS: Dr. O'Donnell opened the nominations for Committee Chairman. Mr. Bonney nominated Dr. O'Donnell, and Ms. Eberly seconded. Ms. Calvert moved that the nominations be closed and a unanimous ballot be cast for Dr. O'Donnell. Mr. Watkinson seconded and the motion carried by unanimous vote.

Dr. O'Donnell then opened the nominations for Committee Secretary. Ms. Pryor nominated Ms. Nichols. Ms. Calvert seconded the nomination. Ms. Pryor moved, seconded by Mr. Bonney, that the nominations be closed and a unanimous ballot be cast for Ms. Nichols. The motion then carried unanimously.

APPROVAL OF MINUTES: Dr. O'Donnell noted that the first page of the September 18, 1984 minutes read 1985 instead of 1984 and should be changed. Ms. Calvert moved that the minutes of the September 18, 1984 and

November 27, 1984 Budget Committee meetings be approved as mailed, with the one correction noted by Dr. O'Donnell. Mr. Bonney seconded, and the motion carried by unanimous vote.

Dr. O'Donnell then turned the meeting over to Mark Pangborn, Director of Administrative Services and Budget Officer.

BUDGET PROCESS:

Budget Authority: Mr. Pangborn called the Board's attention to page 12 of the agenda section for that meeting, and explained Budget Committee and Board authority regarding the budget process.

Timeline: Mr. Pangborn then noted the budget timeline found on page 14 of the same section in the budget materials and informed the Committee that the meeting tentatively scheduled for April 30 had been cancelled. He also commented that four meetings were scheduled, but last year the Budget Committee had reviewed the budget and approved it for submission to the LTD Board in only three meetings. Ms. Pryor commented that she would not be able to attend the Budget Committee meeting on April 16, but she would be able to attend on May 7.

Budget Materials: Mr. Pangborn explained how materials were organized within the budget document, and talked about the three funds: General, Capital, and Risk Management. He explained that the bulk of LTD's expenses, such as for salaries, parts, labor, fuel, etc., are paid through the General Fund. The Risk Management Fund is an insurance fund for workers compensation and liability insurance. The Capital Projects Fund covers any capital expenditures over $100 with a useful life of three years or more. Mr. Pangborn talked about the District's organizational chart and the different sections which were tabbed in the agenda materials. He stated that the Capital Improvements Program detailed capital needs for the next three years, but also listed bus replacement needs for 20 years. The Historical Budget section compares District budgets from Fiscal Year 1982-83 to Fiscal Year 1985-86. Staff would be using the line item budget for most discussions, but a detailed budget was also available in the budget materials for the Committee's review.

BUDGET MESSAGE/BUDGET OVERVIEW: Mr. Pangborn first talked about the goals of the District for the next fiscal year. One goal is to maintain stable service, or the current level of effective service. Several goals for capital replacement need to be addressed in the next budget, he said, including facilities, replacement of the 400 series buses, and a contribution to capital reserves. He explained that there are three parts to the proposed budget: the FY 84-85 budget; the FY 85-86 base budget; and the FY 85-86 capital budget.

Mr. Pangborn stated that the FY 84-85 budget, which ends June 30, is a positive budget. Revenues are on target, within $8,000 of projected revenues, and expenditures were held down so that there will be a year-end balance of $597,044. Staff are proposing that the year-end balance be allocated to Risk Management, in the sum of $321,000, and to Capital Reserves, in the amount of $365,000. The Risk Management Fund would then be completely funded for FY 85-86 to meet the District's insurance needs for that year, and no money would have to be allocated from the FY 85-86 operating budget. Mr. Pangborn stated that the allocation to the Capital Fund would be for future capital expenses, primarily the new administrative and maintenance facility, if approved by the Board.

In discussing the proposed base budget for FY 85-86, Mr. Pangborn said that, because the White House just signed an agreement to phase out operating assistance at 20% per year for the next five years, staff are projecting that LTD will receive 20% less in federal operating assistance, or $179,000, for next fiscal year. Local payroll taxes are anticipated to increase by 3%, due to growth in local payrolls. Based on contacts with major taxpayers and local economists, staff anticipate a modest increase in the number of employees in the area and a 2% to 4% increase in wages during the next fiscal year.

Passenger fares are scheduled to increase five cents in September, which, in conjunction with an anticipated 3% revenue increase due to an increase in ridership, will result in a 6% increase in passenger revenues.

Mr. Pangborn summarized by stating that the base budget is balanced and provides for stable service, but does not look at the District's future capital needs.

<u>Capital Needs Budget</u>: Included in the Capital Improvements Program (CIP) section of the budget materials are reports from a local consultant regarding the present need for a new facility. Mr. Pangborn stated that the District is currently renting space for bus parking, and the maintenance facility is 30 years old and can no longer meet the District's needs. He stated that staff are proposing that the District fully fund the local match for a new facility, which will mean 20 to 25 percent of the total cost of the project. Staff have made a guess of $8 million for the cost of the project, but the final recommendation on costs will not be available until the May 7 Board meeting. The local match on an $8 million facility would be $1.9 million.

Mr. Pangborn also talked about the need to replace the District's nine 400-series buses which are used in nonurban service (to Elmira, Veneta, Junction City, Coburg, Dexter, etc.). They are 23 years old and were purchased used from Baltimore, and are no longer efficient to run. They are also not lift-equipped. Replacement of these buses would mean that the entire system would be lift-equipped. In the industry, 15 years is considered the useful life of a bus. In order to replace the current fleet after buses reach 15 years of age, the District should be placing $200,000 per year in the Capital Fund.

Mr. Pangborn explained three options for addressing the District's capital needs. Option 1 would best meet those needs, by fully funding the local shares for a new or remodeled facility ($170,000), replacement of the 400-series buses ($120,000), and one-third of future capital projects scheduled through FY 87-88 (150,000). This option would, however, require a ten-cent increase in passenger fares (an 18% increase), rather than the five cents approved for September, 1985, and would require an increase in the payroll tax from .5% to .54%, an eight percent increase.

Option 2 places the facilities needs as a top priority, meeting those needs ($170,000) in FY 85-86 and deferring any other capital needs for one or two years. It would require increasing the payroll tax from .5% to .52%, a four percent increase, and includes the five-cent passenger fare increase already scheduled for September (a nine percent increase).

Option 3 addresses none of the District's capital needs, deferring everything for at least one more year. It includes the scheduled five-cent passenger fare increase but no increase in the payroll tax rate.

Mr. Pangborn stated that staff are proposing Option 2, realizing that the top priority for the next year is the facility.

Mr. Bonney asked about the 20% reduction in federal assistance. Mr. Pangborn replied that Section 9 funds were an ongoing federal allocation which had been frozen at the same level for two years, and which was expected to be reduced by 20%, to $714,000, next fiscal year. The Section 5 monies had been phased out, with Section 9 replacing Section 5. Mr. Watkinson asked about the payroll tax level. Mr. Pangborn stated that before last year the rate had been at the legal limit of .006 and reduced for the past year to .005. It is scheduled to automatically return to the .006 level April 1 unless the Board takes action to lower it again. This can be done any time before June 30. Mr. Pangborn explained that the District receives payroll tax payments four months after they have accrued, and the fourth quarter taxes won't be collected until July and August, 1985.

Ms. Pryor wondered if capital assistance would be cut, as well as operating assistance. Mr. Pangborn explained that Section 9 funding is separated into operating and capital assistance. The capital funds are automatically allocated to the District out of the general fund by formula funding. Both Section 9 operating and capital assistance would be reduced by 20%. Mr Pangborn stated that the District also receives Section 3 funds from the one-cent per gallon gasoline tax. This money is in a common pot and transit districts have to apply and compete for the money. These funds are available only for the construction of new facilities and fleet replacement. President Reagan wants to eliminate Section 9 funds and orient Section 3 funds for both operating and capital. Mr. Pangborn stated that staff believe that the availability of money for capital projects will diminish rapidly, and that now is the optimal time to move ahead with an application for funds for a new facility.

Ms. Calvert asked about Federal Aid Urban (FAU) funds. Mr. Pangborn explained that those monies come from the Highway Division and are specifically for roads or passenger-related facilities. LTD receives about $125,000 per year in FAU funds, and is presently using those funds for improvements at 29th and Amazon, the University of Oregon, and Lane Community College, and used them in the past to build the Springfield Transit Station. FAU funds could not be used to build a facility or replace buses, but could be used if LTD were to make improvements downtown.

Mr. Pangborn then explained that the federal fiscal year ends on September 30, after the end of LTD's fiscal year on June 30. The federal assistance the District is now receiving extends until September 30, and staff will not know how much money the District will receive in federal funds until after the end of the federal fiscal year. Last year the information wasn't available until December. Mr. Pangborn stated that staff's concern with federal funding is to have LTD's application for Section 3 capital funds first in line for the next fiscal year. If the Board approves the facilities project, approval of an application for capital funds will be on the agenda for the May or June Board meeting.

Dr. O'Donnell asked what would happen to the allocated funds if the Board did not approve the facilities project. Mr. Pangborn stated that the Board had already looked at the first two recommendations and said that something should be done. If the Board decides to wait a year, the designated local share would gain interest and would not be lost. If the Board decided that the District should not do anything, or only wanted to buy the land to park the extra buses on, then a portion of the local share would be used and the rest would be held in local capital reserve for future years. Mr. Pangborn's feeling about the situation was that the District would need to do something with the facilities, either now or at a later date. He stated that whether or not to approve a facility and apply for federal funds was essentially a Board decision. He explained that the Board Facilities Subcommittee would be meeting on April 30 to review the issue and prepare a recommendation for the Board at its May 7 meeting. The budget could be adjusted after the May Board meeting.

Mr. Brandt thought the Committee could recommend Option 2 but not raise the payroll tax rate until later in the year. Mr. Pangborn replied that Option 2 assumes the payroll tax will come in at a certain rate, but could be greater or less. There is an advantage in waiting and seeing how the payroll taxes and federal assistance are coming in at the first of the year, but a disadvantage is that taxes would have to be raised to a higher level if payroll tax receipts were coming in lower than anticipated, in order to collect the revenue in a shorter period of time. A decision about the payroll taxes would need to be made by the end of November. Karen Rivenburg, Finance Administrator, stated that one complication of waiting is that the District's best chance for receiving federal funds will be if the application is a complete package and the District can assure the federal government that it has all of the local share to match the federal funds. She thought that if the payroll tax issue was settled this year, the application could be submitted before June 30 and the District would have an excellent chance of receiving the requested capital assistance. If the District cannot show that it has the local match, it will reduce the federal government's consideration of an application for grant funds. She added that if the Board wants to make a commitment one way or another that the money is there, the District could wait to raise the payroll tax. Mr. Brandt thought the Board could wait and then raise the tax to .006 later if it needed to.

Detailed Budget: Ms. Rivenburg first talked about the FY 84-85 budget in order to show the Committee where the balance was coming from. She asked the Committee members to look at page 3 of the budget message section. In response to questions, Mr. Pangborn explained that the proposed budget already included the five-cent cash fare increase scheduled for September, and represented only $11,600 toward the Capital Fund. The proposed budget for FY 85-86 includes Option 2 and assumes a 3% growth in revenue, or that the total payrolls on which taxes are paid will increase by 3%. Mr. Pangborn stated that, since 1980 to 1982, when the District was faced with drastic service cuts, staff have tried not to budget to the maximum possible, in case the payroll tax revenues vary and employees or services would have to be cut. Staff are continuing an historical trend, he said, to be conservative in revenue estimates and to include everything in the expenditures.

Dr. O'Donnell asked if there had been a decrease in ridership. Ms. Rivenburg replied that ridership had increased three to four percent, but changes in Adult and Family Services policy (buying several day passes for clients instead of monthly passes), as well as several ridership promotions, had meant that the anticipated 7% increase in passenger revenues did not occur. She said that staff were trying to be more conservative in their estimates this year.

Mr. Pusateri asked why the District needed to start each fiscal year with a zero balance. Mr. Pangborn explained that federal funding, as it is set up, is specifically worded to give transit agencies the balance of funds that they need to operate. If a district has a cash carryover at the end of the year, that means the district does not have a deficit and does not need federal assistance. The Capital Fund and Risk Management funds do not fall under that definition of the law. In answer to further questions, Mr. Pangborn stated that the District has had federal audits and there has been no problem with carrying over funds in those two accounts. He said it is common in the industry, and Tim Dallas, Director of Operations, added that federal officials had even told District staff how to carry over funds in this way.

In discussing the Committee's preference for further review of budget materials that evening, Ms. Pryor suggested the Committee might adjourn by 9:30 p.m. Dr. O'Donnell stated that the Committee had a tradition of setting 10:00 p.m. as the deadline for adjourning each meeting, but he would follow the Committee's preference. The Committee decided to discuss the line item budget at this point.

In response to a question from Ms. Eberly, Mr. Pangborn explained that budgeting $1,000 for the Risk Management Fund for next fiscal year allows transfers in and out of the account without having to approve a supplemental budget, but it would be fully funded for the year with a transfer of $231,080 at the end of FY 84-85.

Discussion on General Fund Revenues in the proposed FY 85-86 budget followed. There was some discussion on interest income and interest rates. Ms. Calvert asked about the sale of the tax credits (Safe Harbor Leasing) on the new buses. Mr. Pangborn explained that the sale is expected to happen during the next fiscal year, and the amount of $100,000 had been included in Capital Projects Resources for FY 85-86.

Ms. Pryor wanted to know if the District would break ground for a new facility during the next year or if the local match would be earning interst all year. Mr. Dallas replied that the facilities project would happen in three phases: purchase of the land; funding of design costs; and construction. Some of that money would be spent from the FY 85-86 budget, but the construction money would probably not be spent until FY 86-87 or FY 87-88. The earliest possible date for occupation of the facility would be the summer of 1988.

Ms. Rivenburg stated that last year the District was able to invest between $2.5 million and $3 million, but this year staff are projecting between $2 million and $2.5 million. Mr. Pangborn stated that having a substantial balance in the Capital Fund allows the District to operate during the year without having to borrow money while waiting to receive operating revenues.

Dr. O'Donnell asked if staff would be receiving salary increases and what effect that would have on the budget. Mr. Pangborn stated that cost of living increases for administrative staff had been approved by the Board and included in the proposed budget, but negotiations for contract employees were just beginning and the impact of those would not be known for awhile.

LINE-ITEM BUDGET

General Administration: Mr. Pangborn explained that the major difference in the General Administration budget was the removal of a Service Analyst position from Planning and filling the Administrative Analyst position in General Administration which has been empty for a couple of years. The Service Analyst had been working as the manager of computerization and doing various data analysis tasks, so the change to General Administration is more appropriate for the duties. In response to a question about Clerical Specialist salaries, Mr. Pangborn stated that the position is budgeted for 1.7 FTE and the two persons in those positions each work four days a week, with some latitude for extra work during the District's busiest times.

<u>Finance Division</u>: Ms. Rivenburg called the Committee's attention to the Finance Division budget on page 5 of the Line-Item Budget section. She noted the biggest change in the division budget, which was that the Personal Services Specialist position was changed to an Accounting Clerk, for a total of three Accounting Clerks. The increase in Miscellaneous Services included the processing costs for the new payroll system which will begin in July. Mr. Watkinson asked why medical/dental expenses for all retires were included in the General Administration budget. Ms. Rivenburg explained that before this year, those expenditures were listed under individual division budgets, but the medical costs of retirees do not really affect the operating of the divisions for the year, so it seemed more appropriate to place them together in the General Administration category. She further explained that all District employees who meet certain qualifications are eligible for a Medicare supplement, and this is the line item which was being discussed.

<u>Personnel Division</u>: David Harrison, Personnel Administrator, spoke about the Personnel budget. The proposed $70,000 for miscellaneous contractual services was placed in the budget in case certain legal fees are incurred as a result of contract negotiations, as happened during the last negotiations process. Mr. Pangborn explained that because LTD receives federal funds, it is subject to the provisions of a 13(c) agreement regarding binding interest arbitration, which was at issue during the last negotiations.

With no further discussion, Mr. Brandt moved that the meeting be adjourned to Tuesday, April 16, 1985 at 8:00 p.m. in the Eugene City Hall. Ms. Nichols seconded, and the meeting was unanimously adjourned at 9:30 p.m.

J. A. Nichols

Committee Secretary

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