MINUTES OF BUDGET COMMITTEE MEETING

LANE TRANSIT DISTRICT

ADJOURNED MEETING

May 7, 1985

Pursuant to notice given at the April 16, 1985 Budget Committee meeting and to the Register-Guard for publication on April 28 and May 5, 1985, an adjourned meeting of the Budget Committee of the Lane Transit District was held at 7:40 p.m. on Tuesday, May 7, 1985 in the Eugene City Hall.

Present:

Board Members	Appointed Members
Peter Brandt, Treasurer	Emerson Hamilton
Janet Calvert, President	Robert O'Donnell, Committee Chairman, presiding
Janice Eberly, Vice President	Roger Smith
Larry Parducci, Secretary	Rosemary Pryor
Gus Pusateri	John Watkinson

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

News Media Representatives:
Steve Collier, Springfield News
Tracy Berry, KEZI-TV

Absent:

Joyce Nichols, Committee Secretary

Paul Bonney

<u>PUBLIC COMMENT</u>: After calling the meeting to order at 7:40 p.m. and calling roll, Dr. O'Donnell asked for comment from members of the audience. There was none.

<u>APPROVAL OF MINUTES</u>: Mr. Smith moved that the minutes of the April 9, 1985 and April 16, 1985 adjourned meetings be approved as submitted. The motion was seconded by Ms. Pryor and carried unanimously.

<u>REPORT RECOMMENDATION ON FACILITIES STUDY</u>: Ms. Loobey stated that it was the intent of staff that evening to review the materials and what had been accomplished in the study, commissioned by the Board five or six months ago. She said the project was very important to the District and would have an effect on its near-term future as well as the long-term

future; that the findings of the study had led staff to believe that the needs for the facility are demonstrably valid, and that the facts indicate that something needs to be done. She also said the present facility is out of space and is not adequate for the current operations. For example, she explained that the fleet size requires nine bus bays for the maintenance building, but LTD currently has only six, and that a trailer had been installed on the property to house administrative staff. It has become necessary to acquire more parking space for buses, more space for staff, and a larger maintenance facility to reduce operating costs by allowing for a logical flow of work.

Ms. Loobey stated that the Budget Committee's principal task was to determine how to finance such a facility, but the members were not being asked to do so that evening. She explained that the Board Facilities Subcommittee members had examined the issue very closely, and that a presentation for the Budget Committee was scheduled for that evening. Staff and the Board had wanted the Budget Committee to receive as much information as possible because it was important to the District, and there were implications for the District both in moving ahead or not moving ahead with the project.

Ms. Loobey told the Board that staff had made an effort to try to get as much information about the project as possible out to the public. An insert in the Annual Report to the Business Community invited taxpayers to attend meetings or to request additional information. About 20 requests were received, and staff and Mr. Parducci held a meeting with several interested taxpayers.

Ms. Loobey stated that the responsibility of the Board would be to determine if a need for the new bus maintenance facility had been determined; if the District should move forward with the grant application for federal capital funds; and whether or not to begin negotiations on the land parcels which had been identified in the site selection process. The total project, she said, would be a three-year process.

Ms. Loobey then introduced Eric Gunderson, the architect working on the project. He said he would present the findings of what had been a thorough and interesting study, and the recommendations for the next step. He reviewed that he had met with the Board in January to present the findings of the first part of the study, which was aimed at finding ways to solve problems for future growth, not in a "band-aid" way. He said that future fleet and ridership growth projections were based on employment growth of 3.2 percent to 3.4 percent, a conservative estimate, and on an analysis of other transit facilities. The first part of the study recommended that an ideal site for the District would house 160 buses for the year 2005; after 160 buses, satellite facilities would be more appropriate. A facility for a 160-bus system would require 11.5 acres.

Mr. Gunderson explained that over 300 sites were originally considered, including over 30 proposals from property owners. The field was narrowed to 40 sites for a more detailed analysis, after which four sites were chosen for recommendation to the Subcommittee and Board. In addition to the site recommendation, Mr. Gunderson said he would be making a recommendation for an overall budget for the proposed facility.

He then described for the Committee's information the four top sites and how they compared. The "Glenwood Drive-In" site (the Eugene Drive-In in Glenwood) proved to be the most economical site on which to build, based on the zoning, soil conditions, good traffic access, shape of the property, and utilities available. It would require annexation to Eugene, but Mr. Gunderson had talked with City staff and that was not seen as a problem. Because one side of the property was next to a residential area, the preliminary layout of the facility included the locating of bus parking and refueling activities away from that area, and the use of administrative buildings and some trees and walls as buffers. The travel time to and from the different routes was not as good as the West Eugene sites, but the overall costs were still lower, which made this the favored site.

The "South Glenwood" site is located very near the first site, and many of the same issues apply. Because of the unusual shape of the land and a significant amount of landwork which would need to be done, the site improvement costs would be higher, making this property the second most economical.

The site ranked in third place is the 12.2 acre "Burlington Northern property" at Second and Garfield. It is zoned heavy industrial and, because of its shorter travel time to the start of routes, the operating costs were lower. However, because of the soil conditions and the fact that the site is a partially-filled former mill pond, the costs for excavation and refill are significant. The Sixth and Seventh Avenue widening and the Chambers Connector would be beneficial to bus travel from this site.

The fourth site is the "Existing LTD property." Mr. Gunderson stated that the extent to which this site proved to be more expensive than the others was a surprise to everyone. The primary reason for the higher cost is that land around the existing site is much more expensive. LTD presently has four acres and would need to acquire the balance of both blocks along Eighth Avenue, as well as close Eighth, and would still have only 11 acres, at a cost of $2 million. Another $1.5 million would have to be spent to relocate businesses which would be displaced. Because the site would still lack half an acre, additional costs would be incurred by the need to build a two-level employee parking structure or the acquisition of land somewhere in the vicinity for employee parking.

Mr. Gunderson used a chart to show the comparative costs for each property in all categories (purchase price, site improvements, construction costs, etc.). Furnishings and equipment do not vary for the four sites, and governmental fees are not significant enough to make a difference. Mr. Gunderson explained that the consultant's fees will vary in relation to the amount of effort it takes to design the facilities, based on land shape and other factors. Moving costs for three sites are equal but much higher for the present LTD site. This is due to the need to continue operations during construction of a new facility, so facilities would have to be built before the old ones could be torn down, and bus parking would have to be relocated until the project was completed. This would lead to added operating costs for a year and a half or so.

Mr. Gunderson explained in more detail the issue of "deadhead" time, which is the travel time from the operating facility to the origin of each route. It is nonproductive travel time because no revenue is collected during this time. The deadhead time for the West Eugene properties is lower over 20 years but, in spite of a difference of $600,000 over 20 years, it is not enough to overcome the substantially higher costs in some of the other categories. He said the operating costs for deadhead time were also examined for a 50-year period, but did not result in a different ranking for the sites. Travel time is so sensitive, in fact, that the two to three additional blocks from the existing site to the Burlington Northern property add a 10% difference in operating costs over 20 years.

In response to a question from Mr. Smith, Mr. Gunderson stated that the estimates and the variances were drawn from a fairly thorough research process. He said he was fairly confident about the estimates and would like to say the project could be done without the contingency, but there could be the possibility of a $1 million spread in the bids alone. He thought the only potential for error would be in land prices and site improvements, which involve more variables. Sensitivity analyses were done to see what would happen if some of the consultants' assumptions were wrong, but even those resulted in the same rankings for the four sites.

Mr. Gunderson stated that if the Board did not choose the existing LTD site, it could be sold for approximately $600,000.

<u>Project Budget</u>: The possible budget for the project included several options with two variables--to build the facility for 20 years at once, or two build it in stages. The figures used for the alternatives were the estimated costs for the Glenwood Drive-In site. The sale of LTD's existing property ($687,000) was included for comparison as the "B" option in each case, but was not recommended at this time. Other possibilities for the existing site would be to hold it in reserve for when the District would need a satellite facility, or to wait to sell it when the market is better and local capital is needed for Phase II construction.

<u>Option 1</u>:

Construct facility as programmed for the year 2005 - $9,722,775

Option 2:

Construct facility in 1985 for program needs until 1995. Budget and fund Phase II construction later

Total Facility Cost	$9,722,755
Less Phase II	376,863
Total Facility Cost, Option 2-A	$9,345,912

Option 3:

Construct buildings for the year 2005. Build bus and employee parking for the year 1995. Budget and fund Phase II construction later.

Total Facility Cost	$9,722,755
Less Phase II	185,044
Total Facility Cost, Option 3-A	$9,537,731

Mr. Gunderson explained that one problem with building in two phases is that, in the long run, more money will be spent on "redundant" work, such as tearing down walls to extend the building and build new walls, relocating ductwork and lighting, etc. Also, power, utilities, etc., have to be in place for the original phase and cannot be deducted from the first-phase costs. For this reason, Mr. Gunderson was not recommending this type of phased construction. Option 3 was seen as the best option because the entire building would be constructed but equipment and parking for later years could be delayed. Paved surfaces are easy to add and there would not be a lot of redundant costs. Option 3, therefore, would result in the lowest long-term costs for the District.

Based on this information, Mr. Gunderson recommended two steps for Board action.

Site:

(1) Direct staff to negotiate with owners of the three top-rated sites for purchase of one;

(2) Obtain an option on the best site (probably the Glenwood Drive-In) in order to hold the property until the federal grant is approved; and

(3) Apply for a federal grant for funding for the purchase of the site.

Budget:

(1) Adopt Option 3-A to build the full building but hold back on equipment and paving necessary past the year 1995, and to not count on the sale of the existing LTD property. (For the Glenwood Drive-In site, the budget is estimated at $9.5 million.)

(2) Approve an application for federal funding.

In discussing a schedule for the proposed project, Mr. Gunderson stated that the first phase (site selection and beginning design; application for federal funding) is now being completed. The original timeline is behind a little at this point. The next phase will include site purchase, design, and the obtaining of construction funds. Third will be the construction phase, and then the moving in, in mid-1988. He explained that there is some urgency in meeting the timeline, since further bus acquisition would make the present property even more inadequate, and band-aid solutions will be increasingly expensive. Mr. Gunderson then showed a chart which outlined the distribution of the project budget for each stage.

Budget Implications: Mr. Pangborn explained that site recommendation and the decision on whether to move ahead rests primarily with the Board of Directors. If the Board decides to continue with the project, then staff would come back to the Budget Committee to consider the funding alternatives and how to move ahead with the budget. He explained that the purpose of the meeting that night was to explain the project, to show the Committee the funding options for the project, and to show what the impact of each option would be. Three questions to be discussed are: how much is it going to cost; when would the District need the money to pay for it; and where would the money come from?

Mr. Pangborn stated that staff had originally anticipated that a new bus maintenance facility would cost $8 million. A new, firmer estimate is now $9.5 million, which is significant in terms of the budget.

He then explained the federal funding sources and what the local match would be for each type of capital funding (Sections 9 and 3) for Fiscal Years 1985-86 and 1986-87. Including the proposed transfer to the Capital Fund at the end of this fiscal year, the total unallocated match (already saved) which could be used for the project is $1,650,308. This would leave a difference of $712,650 for the local match, which would have to be added within the next two years. The biggest expenditure would occur in the second half of the second year (FY 1986-87), when construction begins.

In response to a question from Dr. O'Donnell, Mr. Pangborn stated that using these funds would leave no money in the Capital Fund for bus replacement. It would also mean having no cash reserves, which the

District has been using during the past several years for operating expenses before payroll tax revenues come in. Doing this has enabled the District to avoid short-term borrowing.

Mr. Watkinson wanted to know how much money needed to be allocated this year. Mr. Pangborn replied that the District could get through FY 85-86 with the $1.6 million already saved. The two Section 9 grants in the next two years would get LTD through June of 1986, but the District would run out of capital match money in the next fiscal year, when the greatest cost expenditures would occur. The increases in estimated needs occurred when other capital needs were added in, making less Section 9 money available and causing the need to apply for more Section 3 funds at a higher match (25 percent as opposed to a 20 percent match for Section 9).

Mr. Pangborn then talked about two options to illustrate what could be done, and the impact on the District in the next two years. In order to meet the needs to accumulate $712,000 within one year, the payroll tax rate would need to be increased to .0057, a 14 percent increase. This would raise $658,000 for the District. However, Mr. Pangborn stated that it is not necessary to obtain all of the match in one year, since the most significant outlay of funds would occur midway in the second year. One possibility for a two-year accrual period could be an increase in the payroll tax rate from .005 to .0053 in FY 85-86 ($282,000) and an increase to .0054 in FY 86-87 ($388,000), for a total of $670,000. If the payroll tax came in higher in the first year, it would mean a lower rate for the second year. Mr. Pangborn explained that this proposal could be reversed; no changes in the tax rate could be made this year and a higher rate set in the second year; or different levels of the payroll tax could be used. He said that the role of the Budget Committee is to direct staff on how to look at that issue and how to budget for it, and that staff could provide other alternatives if the Committee wished.

In response to a question, Mr. Pangborn stated that a five-cent increase in passenger fares had been budgeted for FY 85-86 and would generate about $41,000. Another five-cent increase would not be significant in terms of the budget, and raising the fare more than ten cents in one year would probably not generate enough revenues to offset ridership losses. He said staff could generate another $40,000 to $60,000 by cutting certain items in the operational budget but, beyond that, service and staff cuts would be required, which, as budget officer, he would not recommend. The stability of service, as well as efficient, productive service, have played a large part in the District's success in the past few years.

Mr. Pangborn further explained that the projections for buses in the next two years only include replacement of the 400 series buses, which are twenty-five years old, are not lift-equipped, and operate in the nonurban areas. Ideally, he said, the District should be placing $200,000 a year in capital reserves for bus replacement. The 500-series buses have eight or nine more useful years; it would cost $3 million to replace them, of which the local match would be $600,000 or $700,000. However, he said, the District now has a good, healthy fleet, and the primary goal and need of the District is a new bus maintenance facility. This need has been neglected until the bus fleet could be taken care of.

Mr. Smith asked if staff knew what the resulting reduction in maintenance or operating costs would be. Tim Dallas, Director of Operations, explained that it is not so much a matter of how much costs are reduced, but how much the District will be able to control increases as the system continues to expand at the rate of 3.2%.

There was some discussion about the need for more meetings than the scheduled May 28 Budget Committee meeting and the need to vote on a payroll tax increase. Mr. Hamilton said he would be "hard pressed" to vote for such an increase, based on the local economy and the tax increases called for in the Eugene Agenda. He stated that he would like to see other options such as farebox increases. Mr. Pangborn said that staff could provide for the Committee different increments and show the impact of each on the budget.

Ms. Calvert asked about the sale of the present site, to which Mr. Pangborn replied that the District would have to return 80% of the sale to the Federal government, and would only be able to retain $130,000 of the estimated land value of $687,000 if it were possible to sell the site.

He also explained that each increase in the tax rate of .0001 (from .005 to .0051, etc.) would generate an estimated $94,000. The maximum rate allowed by law, .006, would generate approximately $950,000.

Ms. Pryor asked why the District did not put the money scheduled for Risk Management into capital projects, and if there was a requirement for Risk Management to be fully funded. Mr. Pangborn stated that the District would then have to find money from somewhere else in the budget to fund Risk Management, or to entertain some risks with a partially funded program. The latter might require an increase in the payroll taxes if a catastrophe occurred.

Mr. Pangborn also stated that a federal grant for a facility would bring $7.3 million into the community at a cost of $2.2 million, which would be the community's federal money coming back to the community. Mr. Hamilton stated that his interest was in spreading the impact of that $2.2 million around, and wondered about the possibility of a property tax or other new taxing possibilities. Ms. Loobey said that, as far as she knew, the property tax issue was in a state of flux until the sales tax issue was resolved.

Mr. Watkinson stated that it would also be hard for him to approve a payroll tax increase and that he would like staff to look at other options, as well as to suggest what additional revenues would be necessary for FY 85-86. Mr. Pangborn stated that staff's proposal at that point was to try to acquire one-third of the needed local share of $712,000 in the first year, rather than trying to do it all in the second year. He explained that it would not be necessary to acquire half or more of the needed funds because the District has been very prudent in its expenditures and has been able to end each year with a cash carryover to the Risk Management and Capital funds. Staff's best estimate is that payroll tax revenues will increase by 3% this year.

Dan Herbert spoke from the audience, stating that he had been on the Board for a number of years and was concerned that funds for bus replacement and accumulation of funds each year for future capital needs was not planned. He thought that future bus needs and use of the capital reserves for daily cash flow, as well as the level of the payroll tax, should all be considered in a little longer-term. He also thought it would be better to raise the payroll tax as infrequently as possible, and to perhaps be able to lower it rather than raise it again. He recommended a longer planning "window" and the evening out of funding for capital requirements.

Ms. Calvert asked about the possibility of the facilities project taking longer than 1988 to finish. Mr. Pangborn replied that it could, but he expressed concern about the possible "drying up" of Section 3 funds in the next two years. Section 9 capital funding is scheduled to diminish in conjunction with the Section 9 operational funds. He stated that Section 9 funds are assured on a formula basis but are expected to diminish by 10 to 20 percent each year in the next several years. The District's FY 85-86 Section 9 funds have already been allocated; the Section 9 operating funds have been received, and the capital funds will need to be applied for by June 30. Section 3 funds are discretionary funds; UMTA has $1.4 billion available but only 20 percent has been allocated this year. Ms. Loobey explained that Section 3 funding is mixed up in the federal budget appropriations and shows up as an "outgo" even though it does not come out of the general fund revenues. She said that this may make it necessary to use political pressure to get the federal funds released. However, she said, LTD should have a good chance of receiving the needed Section 3 money if it makes the initial commitment to the project, and the funds would not be cut off after being authorized.

Mr. Pangborn also stated that if the federal funding is not cut by 20 percent, LTD would receive almost $200,000 which could be applied toward the needed balance of $712,000.

It was explained that the last date to adopt a budget for FY 85-86 would be May 28, in order to meet publication deadlines for public comment. Budget Committee members agreed that two more meetings would be necessary. Mr. Hamilton and Ms. Eberly have conflicts on May 21, but the others present were available that evening.

<u>CAPITAL IMPROVEMENTS PROGRAM</u>: Mr. Pangborn called the Committee's attention to the Capital Improvements Program section of the budget materials from April 9. He explained that computer equipment, software

needs, etc., as listed on page 1, had been substantially cut back. He talked about the $60,000 for passenger boarding improvements (shelters for high-use bus stops), which bring a very positive response from the public, and $50,000 for automatic passenger counters, which would enable the District to gather valuable information which it needs to operate but is not now able to collect. The maintenance items on page 2 were for replacement of major tools. Because the District's computer is located in a former broom closet, it will be necessary to spend $16,000 next year to provide air conditioning and other facilities improvements to keep it from overheating. No money has been budgeted for vehicles and accessories, except for the normal yearly replacement of a supervisors' vehicle. The total in the Capital Improvements Program is $2,618,000, roughly estimated at $2 million for the facility for land acquisition and design work, and $207,000 for ongoing projects.

PRESENTATION ON WELLNESS/INCENTIVE PROGRAMS: Gary Deverell, Safety and Risk Manager, was present to answer questions the Committee had raised at the last meeting. He used a chart to show FY 84-85 expenditures; the reduction in absenteeism among drivers, in lost calls at the Customer Service Center, and in road calls in Maintenance for the one quarter that program was in operation; and the savings to the District. In areas where the exact dollar savings is not known, such as at the CSC and in Maintenance, he said the benefits in public relations had been great.

Mr. Deverell also explained proposed changes for FY 85-86, with a similar total cost over the year. In the budget were $16,500 for an attendance incentive program for Transportation; $4,000 for an attendance incentive program in Maintenance; and $1,200 for an attendance/job performance incentive program at the CSC, for a total of $27,200. In addition, $5,500 had been budgeted to begin a wellness program. He stated that staff knew the program would affect a lot of people with the attendance program, but that a certain percentage of the employees is unhealthy and there would be no way to reach them unless their unhealthiness was attacked. Most health costs, he said, are spent after the fact, but the wellness program is aimed at more preventative measures. The physicals performed during the last year had shown that 30 to 40 percent of the employees (60 to 80 people) could benefit from one or more of the proposed programs. Staff were proposing to budget for one-third of the shown need, or programs for about 20 to 30 people. Incentives were to be given for completing the wellness programs.

SUPPLEMENTAL BUDGET FOR FISCAL YEAR 1984-85: Mr. Pangborn suggested that the Committee not move ahead with the supplemental budget because of the Committee's suggestion to allocate less money to the Risk Management Fund.

SUMMARY: Mr. Pangborn stated that staff would draw up a list of alternatives for funding of the $712,000 needed for the local match for the facility and other ongoing capital needs. He asked that Committee members call him with any questions they might have in the next couple of weeks.

Ms. Pryor and others complimented Mr. Gunderson on his understandable and well-done presentation. Mr. Pangborn added that Mr. Gunderson had worked very hard on the project and staff believe that his analysis had covered all areas. Bill Wilson, a partner in Mr. Gunderson's firm, stated that their firm did not always have clients as demanding and far-sighted as the LTD staff and Board, and that it had been a challenging and enjoyable project.

ADJOURNMENT: With no further discussion, Ms. Calvert moved that the meeting be adjourned to Tuesday, May 21 at 7:30 p.m. in the Eugene City Hall. After seconding by Mr. Brandt, the meeting was unanimously adjourned at 10:00 p.m.

Joyce Nichols

Committee Secretary

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