MINUTES OF DIRECTORS MEETING

LANE TRANSIT DISTRICT

ADJOURNED MEETING/WORK SESSION

May 14, 1985

Pursuant to notice given at the May 7, 1985 adjourned meeting and distributed to persons on the mailing list of the District, an adjourned meeting of the Lane Transit District Board of Directors was held at 6:30 p.m. on Tuesday, May 14, 1985 at the Red Lion Motor Inn, 3280 Gateway, Springfield.

Present: Peter Brandt, Treasurer
Janet Calvert, President, presiding
Joyce Nichols
Larry Parducci, Secretary
Gus Pusateri
Phyllis Loobey, General Manager
Jo Sullivan, Recording Secretary

News Media Representative:
Steve Collier, Springfield News

Absent: Janice Eberly, Vice President

AUDIENCE PARTICIPATION: No members of the public were present.

DISCUSSION OF SUBCOMMITTEE RECOMMENDATION REGARDING BUS MAINTENANCE FACILITY: Ms. Calvert began the discussion by reading the recommendation made by the Board Facilities Subcommittee, which was included in the agenda packet. She mentioned the need to give clear direction to the Budget Committee if the project is to proceed.

Mr. Parducci stated that after being involved in the subcommittee process, his personal feeling was that the District does need the facility and now is the time to pursue it. He was at first uncomfortable with the highest ranking for the Glenwood Drive-In site, but after the architect's presentation, he was now comfortable with that site. He thought that Mr. Gunderson had done an excellent job of presenting the study. Mr. Parducci also said the increase in the facility cost from $8 million to $9.5 million would not affect the District this year, and the difference in what is needed in local share is not out of proportion. Since the present facilities are overcrowded, there is a need to work toward a new facility now.

Mr. Parducci also told the Board that he had participated in a meeting with several of the District's payroll taxpayers and that he did not receive any feeling from them that they did not want this to happen; they just wanted to be more apprised of what was going on. As far as the payroll tax issue, Mr. Parducci said he would like to see all the alternatives, but thought it was going to be necessary to increase the payroll tax sooner or later, and suggested looking at doing it next year.

Ms. Loobey stated that since the Budget Committee meeting on May 7, staff had looked at projections for the cost of the facility and how to finance it. The immediate issue in the revenue picture is the facility, which is the most major construction project the District will undergo in many years. The District will be 15 years old in June, and remarkable progress has been made in service delivery and the operations of the District.

Other ongoing issues include the fact that costs will be increasing and a 20 percent per year reduction in federal capital and operating assistance for the next five years. This would mean the loss of $1 million per year in capital assistance and $900,000 per year in operating funds. A major issue is whether the local community will be willing and able to meet the District's financial needs.

Ms. Loobey stated that very little leeway remains for cutting service without cutting into the heart of the service, and raising fares will not provide the necessary funds. Therefore, she said, the issue for Board discussion is not only the financing of the bus maintenance facility, but also the financing for the District's operations over the next years.

Mark Pangborn, Director of Administrative Services and Budget Officer, used several charts to show the financing alternatives which staff were proposing for Board consideration. He said that keeping capital expenditures for other needs to a minimum was important in order to demonstrate the District's commitment to use Section 9 money for a new facility in order to receive Section 3 money, as well.

In response to a question asked by the Budget Committee about not fully funding the Risk Management fund, Mr. Pangborn showed that the average loss in the past five years was $57,000, with the highest loss being $62,000. If a 50 percent increase over the highest loss is assumed and funding against the deductible is reduced from $150,000 to $93,000, the District would incur a savings of $57,000 and a corresponding exposure in the same amount. In Workers' Compensation, SAIF has already looked at the ratios for average and high losses in order to set the District's payments, and a reduction in Workers' Compensation funding would not be recommended. Therefore, the total savings to be gained from not fully funding Risk Management would be $57,000.

Mr. Brandt asked about interest earnings from capital reserves. Mr. Pangborn explained that those interest earnings go to offset the General Fund and are not put back into the Capital Fund, although they could be.

Mr. Pangborn also showed that the FY 84-85 unallocated match is now anticipated to be $1,794,000. In managing the budget conservatively, possible savings could be realized by delaying the painting of the 700-

which would also eliminate service to some people who are now being served ($30,000); reduction of expenditures for materials and supplies ($30,000); and eliminating the contingency ($80,000). Possible increases could occur if the contract settlement is higher than budgeted; if there is a major insurance loss; or if fuel prices increase by more than 5 percent.

Mr. Pangborn also talked about scheduled bus replacement and addition needs and stated that the required combined reserves for the next seven years would be $261,000. He then discussed a three-year projection for revenues and expenses and a reconciliation of original local capital needs, from the original estimate of $170,000 to the new estimate of $712,650.

Next, Mr. Pangborn discussed three alternatives for funding a bus maintenance facility and other capital needs. The first option included no tax increase, which would result in no local capital reserves for bus replacement; reduced Risk Management funding (a savings of $57,000), which would increase the District's exposure in its insurance coverage; and managing the budget conservatively ($176,000), for less assurance of having the matching funds for the facilities project. The second option, which staff termed a medium-risk option, included a tax increase to .0052 (for additional revenues of $188,000), which would mean $13,000 for local capital for bus replacement; and the $57,000 in Risk Management savings and $176,000 for managing the budget conservatively, for a total of $415,000. The third option, which involved less risk for the District, involves a tax increase to .0053, for $282,000 in additional revenues, which would mean $174,000 in local match for bus replacement; fully funding Risk Management; and $176,000 in savings for managing the budget conservatively. The third option would provide funding in the amount of $458,000. Mr. Pangborn asked the Board to keep the three-year projections in mind when talking about the options, since the District basically has two alternatives to pay for any shortages--raising payroll taxes or cutting service.

There was some discussion about anticipating only a four percent inflationary payroll tax increase. Mr. Pangborn talked about the shift in payrolls which has been occurring in Lane County payrolls, with $15.00 per hour timber jobs being lost and being replaced by more jobs, but jobs which pay a lot less. More people are now employed but at a lower rate. Staff did not want to overestimate the revenues in the budget.

Ms. Loobey said that although this was only a three-year projection, they were talking about a facility to last 35 to 50 years. She repeated the need to capture federal funds before it becomes more difficult in order to replace a facility which is no longer adequate.

There followed some discussion about needing a broader tax base in the longer-term future and why those options are not available at this time.

Mr. Brandt thought it was unreasonable to raise the payroll tax now if the Board didn't have to; he thought they could wait and raise $1.5 million later if they needed it--if the District maximized revenues and held down expenses, there was no reason to "jump the gun" on a tax increase. Mr. Pangborn thought the District should move ahead with the facility and, although a tax increase was not necessary at this point, it would become necessary at some point later if the District committed to the facility. He said he had been hearing a definite reluctance to raise the payroll tax rate from both the Board and Budget Committee. He said it would be possible to make a low increase in the tax rate now and keep it steady into the future; however, if a small increase is not made now, there is a possibility that a much larger one will have to be made in FY 86-87.

Mr. Brandt asked about building the maintenance facility now and the administration building later. Staff explained that the maintenance facility is a large portion of the project; that space for dispatch and operators (considered part of the administrative facility) needs to be located near the maintenance shop and bus parking; and that only about 15 administrative staff would be left to inhabit a separate building to be constructed later. Staff also believe that it is better to locate all administrative staff at the same facility, for better communications.

In response to a question from Mr. Brandt, Mr. Gunderson explained that a contingency of 10 percent of the project is within the normal range. UMTA has reported applications including a 15 percent contingency. Mr. Brandt was also concerned about the grant funds being contingent on everything else in the process. Mr. Dallas explained that UMTA wanted to see a commitment that other capital projects will be kept to a minimum so that the District's efforts can be directed toward the facilities project, and to show that the District really needs the facility. Ms. Loobey stated that if the District receives a commitment on the Section 9 grant application, it should also have Section 3 funding within four to five months. However, UMTA does not care when the District plans to raise the payroll tax; there must just be a commitment that the funds will be there when they are needed for the project. LTD would, however, be unable to use a three-year timeline for raising the payroll taxes unless the project gets pushed out one more year. The District would not receive the federal funds until the money was actually spent, and then the local match would be needed.

Mr. Pusateri wondered about the possibility of negotiations for land driving the price up. Staff explained that negotiating for three sites instead of one would help. Additionally, LTD as a public agency is required to obtain three appraisals and to offer at least the minimal appraisal. If that is not satisfactory, the District also has the right of imminent domain, but would want to consider the cost of going to court. It is also a tax advantage to a private owner to sell to a public agency.

Mr. Pusateri wanted to be sure that letters had been written to every taxpayer letting them know about the possibility of a higher tax rate. Ms. Loobey replied that every taxpayer had been mailed the information, but only about 12 had responded, and were more interested in the details of what was happening with the facility than in the tax rate. Mr. Dallas commented that the feeling he got from talking to taxpayers and members of the community is that they no longer feel they have to "watchdog" LTD; they are still concerned with the solutions, but have a higher level of trust in the Board policies and staff management.

Mr. Brandt also raised the issue of what was happening to the transit station in downtown Eugene. Ms. Loobey stated that the City has committed to participate in the cost. The total local match is only expected to be $24,000.

Mr. Pusateri suggested that putting off raising the payroll tax rate as long as possible would show the taxpayers that the District is keeping expenses down. LTD should let them know they have that money "in their pockets" for next year, but may have to pay more later. Mr. Dallas stated that the question is which approach they will view more favorably--a little now or a lot later. Ms. Loobey wondered if keeping expenses down and lowering the payroll tax in the past had earned the District any credibility or support in the community for a demonstrated need to move ahead with a new facility.

Mr. Brandt stressed that the emphasis of the new facility is to keep the system working efficiently and effectively and keeping costs down. He thought people would rather keep the taxes down as long as possible and deal with the needs later. He also stressed the need to push hard to get an efficient facility at the lowest cost possible, and to have stringent goals to keep the costs down. He thought the Board would have accomplished something significant if it could build the facility and end FY 87-88 without raising the payroll tax rate. Ms. Calvert stated that she would not want to see that accomplished at the expense of cutting service. Mr. Parducci thought this was probably the best time in the next 20 years to build such a low-cost facility. Mr. Pusateri thought the Board might agree next year that the facility could not be built without a tax increase.

Ms. Nichols wondered about finding other ways to be more efficient with fewer dollars than exist now. Mr. Brandt wondered specifically about the need for more shelters. Ms. Loobey stated that the District has been making those kinds of cuts and efficiencies for the past several years, in order to keep the annual budget below $7.5 million.

Ms. Nichols said she would hate to see the District raise the payroll tax against the future if it could wait until it saw the future better. She wondered what it would cost LTD to put off all decisions and action for one more year. Mr. Dallas explained, first of all, that this is exactly what the District has done for the past five or six years, when it built interim facilities to last until bus replacement needs could be met. Additionally, waiting would prolong the current level of operating costs one more year into the future, and savings from a new facility would be delayed. Waiting would also compound the funding problem because the facilities funding would need to be saved on top of paying the additional operating costs. He also said that the staff hadn't added into any of the figures they had presented the effect of a project of this size on the local economy. He added that staff were very much in favor of Mr. Brandt's position on setting and living within project goals; however, in spite of all of Mr. Gunderson's efforts, the cost figures were still speculative. As the design work begins, as bids are opened, as change orders are made during construction, a more assured idea of the costs will evolve.

Ms. Calvert mentioned the community's experience with the jail and the added expenses of doing part of a project and then doing another part later.

Mr. Pangborn stated that staff were trying to show options and what they assess to be the full impact of those options. Staff could manage with any one of them and, in fact, would be doing nothing different in terms of managing the budget frugally. He said that many decisions would be made by the Board all along if the project is undertaken. Mr. Dallas added that part of the purpose of the work session that evening was to try to prevent any surprises from occurring during the project.

In response to a question, Mr. Pangborn stated that if the Board requests Section 9 funding by June 30, it should be allocated by October. Between those times, negotiations for land purchase could occur, but no money could be spent. Mr. Dallas stated that the District would be at some risk for negotiators' and appraisal fees. At the point where the property is available and a price is agreed on, the District would make a decision. Board decisions would also be required on options for facilities design and every step along the way before money was to be spent.

After Ms. Calvert reviewed the Subcommittee recommendation in the agenda packet, Mr. Parducci stated that the Subcommittee had wanted to bring the issue before the full Board so that every issue could be aired and agreement reached among the Board members before the funding decision was brought before the Budget Committee. Mr. Brandt stated that he agreed with the Subcommittee's recommendation that the project should move forward; however, it would be up to the Budget Committee to decide how to fund it. Mr. Pangborn stated that the Board would have the final say, because it is allowed by law to change up to 10 percent of the total budget.

Ms. Nichols then moved that the Board direct staff to begin preparations for a grant application for Board approval at the June 18 regular meeting, pursuant to discussion at the May 14 meeting; and that the Board confirm the recommendation of the Facilities Subcommittee. Included in this motion is the desire for no tax increase in Fiscal Year 1985-86. Mr. Parducci seconded, and the motion carried by unanimous vote.

<u>Funding for Higher Education</u>: Mr. Brandt brought up the issue of funding for the Oregon State System of Higher Education for the good of the order. According to that day's newspaper, it appeared that Higher Education would not be receiving the requested funds, which would ultimately mean the loss of millions of dollars for Eugene through lost grant funding and construction. He thought the members owed it to themselves as a Board to contact their legislators because of the economic impact of the possible loss of $20 to $30 million to this community.

Mr. Brandt moved that the Board direct staff to draft a letter to all legislators for the Board President's signature which addressed the Board's concerns regarding the importance of funding for Higher Education to the economic development of the area. Mr. Parducci seconded the motion. Mr. Pusateri declared a conflict of interest because of his employment with the University of Oregon and the inclusion of academic salaries in the budget proposals. Ms. Nichols also declared a possible conflict of interest based on the relationship of Weyerhaeuser to the proposed River Front Park which was included in the budget package.

With no further discussion, the vote was taken. The motion carried 4 to 0, with Mr. Pusateri abstaining and all others voting in favor.

<u>ADJOURNMENT</u>: Mr. Brandt moved, seconded by Ms. Nichols, that the meeting be adjourned. With no further discussion, the meeting was duly adjourned at 10:05 p.m.

Larry Parducci
Board Secretary

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