

MINUTES OF BUDGET COMMITTEE MEETING

LANE TRANSIT DISTRICT

April 9, 1986

Pursuant to notice given to *The Register-Guard* for publication on March 27, 1986 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. on Wednesday, April 9, 1986 in the Eugene City Hall.

Present:

Board Members

Peter Brandt, Treasurer
Janet Calvert, President
Janice Eberly, Vice President
Gus Pusateri
Rich Smith

Appointed Members

Paul Bonney
Emerson Hamilton
Bob O'Donnel
Rosemary Pryor, Committee
Secretary
John Watkinson, Committee
Chairman, presiding

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

Absent:

Joyce Nichols
Larry Parducci, Secretary

Roger Smith
Dennis Strand

CALL TO ORDER: The meeting was called to order by last year's Budget Committee Chairman, Dr. O'Donnell, at 7:30 p.m., with nine members present.

PUBLIC COMMENT: No member of the audience wished to comment at this meeting.

APPROVAL OF MINUTES: Mr. Brandt moved that the minutes of the December 18, 1985 Budget Committee meeting be approved as distributed. Ms. Calvert seconded the motion, and the minutes were unanimously approved, with Dr. Smith not yet present.

ELECTION OF OFFICERS: Mr. Hamilton nominated Dr. O'Donnell for a third term as Chairman of the Budget Committee. Ms. Pryor seconded the motion. Mr. Brandt nominated Mr. Watkinson, seconded by Ms. Calvert.

Dr. O'Donnell stated that there will be times when he will not be in town during this budget process, so he declined the nomination.

Ms. Calvert moved that the Committee cast a unanimous ballot for Mr. Watkinson. Mr. Bonney seconded, and the motion carried by unanimous vote. Dr. O'Donnell then stepped down as Chairman, and Mr. Watkinson took his place at the head of the table, stating that he hoped he would be able to run the meetings as efficiently and effectively as Dr. O'Donnell had.

Mr. Watkinson then opened the nominations for Committee Secretary. Mr. Brandt nominated Ms. Pryor, and Ms. Eberly seconded the motion. Dr. O'Donnell moved that the nominations be closed and a unanimous ballot be cast for Ms. Pryor. After seconding, the motion carried by unanimous vote.

BUDGET MESSAGE, REVENUE FORECAST, EXPENDITURE REQUIREMENTS:

Dr. Smith arrived at this point in the meeting. Mr. Pangborn first explained the budget process and meeting schedule. He explained that the Budget Committee was not responsible for holding public hearings, but needed to hear public comment from any interested members of the audience at each meeting. A public hearing on the budget will be held by the Board before budget adoption.

Mr. Pangborn stated that staff would provide as much detail about the District and the budget as Committee members requested. He explained that the budget document was similar to those in past years, and contained six sections: Budget Message; Line-Item Budget, which would be the primary working document for the Committee; Capital Improvements Program (CIP); Detailed Budget, which is a breakdown of the line-item budget by specific categories; Historical Budget, which gives background on the budget from 1983-84 through the current year; and Graphs, which allow a visual breakdown of the budget for those who are interested. Mr. Pangborn then turned the meeting over to Karen Rivenburg, Finance Administrator.

1985-86 Projected Budget: Ms. Rivenburg stated that staff are pleased to have a projected positive year-end balance of \$837,000 for Fiscal Year 1985-86. She talked about the projected positive variances in passenger revenues and payroll taxes. She stated that the District had budgeted a 20 percent decrease in federal grant funds from the Urban Mass Transportation Administration (UMTA), but the decrease was actually all taken from the capital portion. Staff project that LTD will receive \$364,757 more than budgeted in operating revenue this year.

In discussing the FY 85-86 expenditures, Ms. Rivenburg stated that there had been no legal expenditures associated with contract negotiations, so there was a positive variance in contractual services. Another savings occurred because an additional System Supervisor had been budgeted in Transportation for the full year, but the position had not been filled until three months into the year. The majority of savings, however, occurred in bus operators' salaries, due to leaves of absence, medical leaves, first day sick (which is not paid), and a number of employees not being at the top of the salary scale. Part-time operators are allowed by contract to work 30 hours per week, but the average was 27 hours, so a savings was also seen in this area.

Maintenance fuel rates had been decreasing dramatically, and the fuel line-item was \$140,000 under budget.

Because of the positive variance, the District did not need to use the contingency money in the budget. These savings, plus the extra revenue expected, amount to a year-end balance of \$837,000. Staff were recommending that this balance be transferred to Risk Management and the Capital Improvements Program. By transferring \$389,103 to the Capital Fund, the District will be able to fully fund the local share for the new maintenance facility and other programmed purchases for FY 86-87. A transfer of \$556,616 to the Risk Management Fund will enable the District to fully fund its self-insurance retention as well as provide for next year's premium costs.

Ms. Rivenburg explained that there are two restricted funds (Capital and Risk Management) which can receive money from the General Fund. These transfers can occur at any time during the year.

In further explaining the Capital Fund, Ms. Rivenburg stated that the main source of funding is from state and federal grants. The District's local share runs from 12 percent to 25 percent of projects, and comes from transfers from the general fund. The facility project and small transit stations at the University of Oregon and at 29th and Amazon Parkway had been delayed this year and have been moved to the next fiscal year, so the Capital Fund shows a large variance.

The principal concern regarding the Risk Management Fund in 1985-86 was how to obtain liability coverage without paying extraordinary premiums. The insurance received includes self-insurance amounts of \$300,000, of which \$150,000 was funded. The District has managed its losses and will have a positive variance at the end of the year. Ms. Rivenburg stated that there will be a small negative variance in Workers' Compensation, primarily because of rate increases during the year.

Dr. Smith wondered why State in-lieu-of payroll taxes were \$10,000 less than projected. Ms. Rivenburg explained that the State does not give the District an estimate of State payrolls, and the \$10,000 was the difference between LTD's estimate and actual in-lieu-of payroll tax revenues. Mr. Brandt asked why the beginning fund balances in Risk Management and the Capital Fund were different in the budget than projected. Ms. Rivenburg replied that the budget had been determined before the end of the fiscal year, and a different amount had actually been transferred after June 30. She added that a supplemental budget for Fiscal Year 1985-86 will be brought to the Committee at one of the next meetings.

Proposed Budget: Mr. Pangborn then gave a brief overview of the proposed budget for FY 86-87. He first listed the objectives of the budget. The first goal is to support and improve the existing system, including: (1) providing stable service within the current revenues; (2) increasing ridership 3 percent, on which the increase in the marketing

budget is based; (3) system improvement through analysis of service design and the passenger information system, to see if the District is using all the proper tools and reaching potential riders; and (4) an increase in administrative support of .5 FTE. Another goal of the budget as presented is to support the current and long-term capital program.

Mr. Pangborn stated that the budget, as presented, is balanced and meets the stated objectives. The unknowns in the budget are federal funds and fuel taxes. He explained that the legislation which authorizes the funding for transit expires on September 30 and may or may not be renewed. Additionally, a fuel tax could be imposed on public transit districts, but has not been budgeted. A third unknown relates to future area labor contracts, especially in the lumber industry, which seems to be facing wage rollbacks, possible strikes, etc. These would all have an effect on payroll tax revenues.

Mr. Pangborn then discussed alternatives considered by staff in preparing the proposed budget. The first, cutting service, was seen as being too drastic, since ridership has increased 5.4 percent this year, in a continuous trend; passenger revenues have increased 10.7 percent; and the District is facing no major financial crisis in the next year.

The second alternative, increasing service, was not considered in the budget because of limited community growth; the present good, solid level of service to the community, particularly in the urban area; and the impact of privatization on the District. Mr. Pangborn explained that the federal administration is pushing the subcontracting of public services to private entities. Rules and regulations are now being formulated, and staff are waiting to know what the final regulations will be before they will be able to ascertain the impact on the budget.

In summary, Mr. Pangborn stated that the proposed budget maximizes the efficiency of the current system and focuses resources on the new administrative/maintenance facility.

Revenues--Proposed FY 86-87 Budget: Mr. Pangborn stated that staff were assuming a 3 percent increase in ridership for the next fiscal year; no substantial change in charters; a lowering interest rate; and a 4.5 percent increase in payroll tax revenues at the .005 rate (3 percent inflation and 1.5 percent real growth in salaries in the labor force). He stated that the payroll tax had increased around 10 percent three years ago, and 5 percent the last two years, and that, although the growth has slowly tapered off, it has been a good recovery. Staff are also assuming a 5 percent increase in State payrolls. The projection for total revenues is \$8,019,400; Mr. Pangborn stated that the projection is, overall, fairly conservative, except possibly in the area of federal funding, which is unknown.

DIVISION BUDGETS:

General Administration: Mr. Pangborn explained that the General Administration budget covers general administrative needs for the District and includes the General Manager and Director of Administrative Services. Also included is an Administrative Analyst, who is in charge of the District's computers as well as data analysis, and the Executive Secretary, who acts as secretary to the Board and the General Manager and supervises two Administrative Secretaries, who provide secretarial support for Marketing, Planning, Finance, and General Administration. Also included this year is .3 FTE for a Planning Technician, to provide support for the Administrative Analyst in the area of data processing. Mr. Pangborn explained that the Administrative Analyst was originally assigned to work on data analysis but has been working mainly with the District's computers. The budget also shows the Administrative Secretary positions increasing to 2 FTE for the year, in addition to a small increase because one of the secretaries has been chosen as LTD's United Way Loaned Executive for next fall, and will be replaced while working for United Way.

Staff are proposing that a telephone system be purchased for the District; this expense has to be capitalized. The remaining telephone costs in the operating budget are for utility bills, long distance calls, line rentals for the telephones, etc. LTD is presently on the City's Centrex system and, since the City is moving to a new system, the District is involved with them and a larger consortium of public agencies in purchasing telephone equipment and service.

Consulting fees in the General Administration budget are for computer training to conduct an analysis to see how the two computer systems (minicomputer and microcomputer network) can be made to work together more efficiently.

Finance Division: Ms. Rivenburg called the Board's attention to page 6 of the line-item budget. She explained that the Finance division handles the traditional accounting and purchasing functions for the District: preparing financial records, payroll for more than 200 employees, accounts receivable and payable, preparing for the audit and the final financial statements, coordinating the District's investments (between \$1 million and \$3 million), and counting farebox receipts each day. In addition, the Purchasing Agent is responsible for meeting state and federal requirements for purchasing and responding to disadvantaged business enterprise goals required by the Urban Mass Transportation Administration (UMTA). Finance also keeps separate financial records on the grants and submits grant reports each quarter. Ms. Rivenburg stated that she spends a significant amount of time working on the budget, beginning in January. She also works with other divisions to protect the District's assets, and is responsible for internal controls.

Finance is not proposing any staffing changes for FY 86-87. Present staff include the Finance Administrator and Purchasing Agent; an Accounting Clerk position at 70 percent FTE, in charge of payroll; one full-time Accounting Clerk who is responsible for accounts payable; one full-time Accounting Clerk who is responsible for accounts receivable and cash

receipts; and a Farebox Counting Clerk who counts the District's farebox receipts each day.

FY 86-87 goals for the Finance division include computerization of many of the purchasing functions, and spending more time on internal audit procedures and creating a securities manual. Ms. Rivenburg will also be setting up a system to maintain accounting control of the construction phase of the new maintenance and administrative facility.

Consulting is a new line item for Finance, so the division can apply for an UMTA planning grant to work with consultants to obtain a payroll tax projection model. The interest shown in the Finance budget is for an interest costs on the lease purchase of the telephone system. Ms. Rivenburg explained that the District could buy the telephone system outright, but will only pay approximately 7 percent interest and can earn more money than that by investing the money. The system can be moved to the new facility, although some costs will be involved. In response to a question from Mr. Hamilton, she stated that interest has traditionally been budgeted in Finance, but could also be budgeted under General Administration.

Mr. Brandt wondered why the District did not prepare the payroll on its own computers. Ms. Rivenburg explained that the District's payroll is done through Automatic Data Processing, a service bureau which is able to make changes more efficiently than the District can. Any program changes involve fairly significant costs when done in-house. However, she added, she will be looking at microcomputer payroll programs within the next two years.

Personnel: David Harrison, Personnel Administrator, stated that he had been in the position for seven years. His major responsibilities include coordinating the recruitment and selection for all positions; labor relations activities, as part of the management team working with differences that arise with the collective bargaining unit--writing the District's responses to grievances before arbitration, and developing and coordinating the District's defense in arbitration. Mr. Harrison is also the staff person assigned to oversee the administration of the employee benefits program, and is in charge of salary administration, including coordinating a salary survey each year, working with the Board Salary Subcommittee, and developing the staff recommendation for administrative salaries. He also coordinates the performance evaluation process for management employees and is the affirmative action officer for the District. He develops personnel policies and procedures in response to changes in the law, and is the staff resource person who ensures that disciplinary matters are handled in a legal and fair manner.

Mr. Harrison stated that he is a single-position division, with the Operations Secretary performing the secretarial functions as a shared position with the other staff in Transportation.

Mr. Harrison listed three primary goals for the coming year: (1) the salary study approved by the Board, which will include coordinating the survey at the staff level, developing the Request for Proposals, and assisting in the selection of a consultant; (2) negotiating a new collective bargaining agreement, with negotiations beginning at this time next year; and (3) developing an employee assistance program within the next few months, to become operational on July 1. The employee assistance program will be an employee referral service for a large range of problems which may affect an employee's work performance.

Mr. Harrison called the Board's attention to page 7 of the line-item budget. Under miscellaneous services, money budgeted for potential legal costs was not used in FY 85-86. This year, that item includes \$10,000 for the classification study approved by the Board.

Dr. Smith wondered if the District paid Mr. Harrison's dues in the Rotary. Mr. Harrison replied that his membership in the Eugene Downtown Rotary is paid by the District.

Safety and Training: Gary Deverell, Safety and Risk Manager, discussed the proposed Safety and Training budget. He has worked for the District for 12 years, the majority of those in this position. The Safety and Training division is in charge of driver training for new and current bus operators. New drivers are trained for three weeks, and current drivers are given courses in defensive driving and passenger relations, and are given safety check rides. Mr. Deverell works with the District's Safety Committee, which develops recommendations for the safety of employees and patrons. He is also in charge of the District's wellness program, the incentives program, the employee physicals program, the annual awards banquet, and the tuition reimbursement program. He is the only staff person in the division, but stated that he receives very good help from eight driver instructors who are full-time drivers and do an excellent job of training the new and current bus operators.

Mr. Deverell stated that one of his primary objectives for next year will be to research self-insurance for the District in one or more areas, to enable LTD to gain more control of its insurance program. He will also be increasing the amount of driver training to reduce bus accidents, on-the-job accidents, and workers' compensation claims. Another goal will be to improve the wellness and incentive programs in an effort to increase productivity.

Mr. Deverell asked the Board to note the significant changes in the Safety and Training budget, shown on page 8 of the line-item budget. He explained that the amount budgeted for instructors was the same, but this year he planned to spend the whole budget. In the past, staffing levels have pretty tight, with few extra people available to relieve drivers for classroom training. This year, however, the vacation schedules have been adjusted so that training can occur at specific times of the year. In miscellaneous materials and supplies, his budget includes money to request driving records for employees, due to the fact that the State now charges

for them. The training and travel budget includes money for UMTA-funded classes, of which 50 percent will be reimbursed by UMTA. Fewer employees will be having physicals this year, so that line item has been reduced. Employees will now be on a regular schedule for physicals, based on their ages.

Ms. Calvert asked about the tuition reimbursement program. Mr. Deverell stated that the District will pay up to \$200 per year for employees to take classes to help them improve their job-related skills, which helps the District at the same time. Dr. O'Donnell wondered if the District was receiving benefits in return for the cost of the wellness program. Mr. Deverell said that \$7,500 had been budgeted last year to target weight loss, stress management, etc.; 85 individuals had signed up for participation, a few of them in more than one program. More than 50 employees have participated in weight loss programs, with a good percentage of weight lost. Twelve employees had participated in stop smoking programs, and thirty to forty in exercise programs. There had been a 40 percent participation rate among employees, and Mr. Deverell thought that the results for the employees and the District had been positive. Fewer sick days were taken this year, which he thought could probably be attributed both to the wellness program and the attendance incentive programs.

Ms. Calvert also wondered if all departments had incentive programs. Mr. Deverell stated that incentive programs were found in CSC, which is in the Department of Administrative Services, and in Maintenance and Transportation, which are divisions of the Operations Department. The actual incentive programs are funded in the division budgets, and Mr. Deverell has responsibility for general administration of the programs.

Mr. Watkinson asked about the driver instructors. Mr. Deverell explained that eight full-time drivers are pulled from their routes at different times to perform the actual instruction, and are paid out of the Safety and Training budget for that work. He added that only five drivers can be taken off routes at a time for training, but the scheduling of relief drivers will now guarantee four to five weeks when five drivers a day can be pulled off their routes for eight-hour training courses in one specific area.

Planning: Stefano Viggiano, Planning Administrator, explained that the main functions of the Planning division are service planning, facility planning, and research and special studies. Planning employees recommend service changes, prepare the routes and schedules, oversee elderly and handicapped service, manage the driver bid process, and plan special services such as football shuttles, County Fair service, etc.

In discussing facility planning, Mr. Viggiano stated that he would be coordinating the new maintenance and administrative facility, which would be a major project for his division. Planning also develops and maintains transit stations, more than 100 passenger shelters, and all bus stops.

Research and special studies are done to support the other two categories. Data is generated to be sure the District is providing efficient and productive service. Planning this year designed a program to print timetables in-house, and also provide technical computer support for other staff.

Planning's goals and objectives for the next year include the facilities project; building new transit stations at the University of Oregon and at 29th and Amazon Parkway; and possible improvements at the Valley River Center station. Other goals will be to install additional passenger shelters and to maintain existing facilities. Goals for service planning are to strive for even more productive and efficient service, to monitor the Special Transportation Fund, and to implement contract service where feasible, due to the Reagan Administration's emphasis on privatization. In the area of reasearch, Planning will be updating the bus rider survey, also called the Origin and Destination (O&D) Survey.

Mr. Viggiano discussed Planning's line-item budget on page 10, and explained that 60 percent of his time next year is to be spent on the facility project, so that portion of his salary will come from the capital grant. He had given up other duties in order to work on the facility project, so another Transit Planner was added to the Planning Division in February, 1986. Printing costs for Planning are expected to increase about \$500 next year, for typesetting and printing of the bus rider survey. Changes in the training and travel line item are for two planners to attend a construction management course.

Ms. Calvert asked what a TIE is. Mr. Viggiano explained that it stands for Transit Information Exchange, in which mostly planners and marketing people from northwest transit districts meet twice a year to share ideas about what worked and did not work for them. Staff have found this exchange very helpful in the past.

Under contractual services, consulting fees have increased substantially, and \$35,000 has been included for two UMTA-funded studies. Budgeted funds for contract transportation are lower this year because of revenues anticipated from the Special Transportation Fund monies. In response to a question from Ms. Pryor regarding the L-COG consortium, Mr. Viggiano explained that LTD contributes money to L-COG and they contract out for elderly and handicapped service. This means that LTD is two steps removed from providing the actual service.

Ms. Eberly wondered about UMTA paying consulting fees. Mr. Viggiano stated that UMTA pays 80 percent. Five years ago the District hired a consultant to help with service planning just prior to the Comprehensive Service Redesign, and found it helpful to have fresh ideas. Ms. Calvert wondered if the Board had discussed the downtown station study before. Mr. Viggiano said that the Board knows some of the issues, but would be hearing an update at the next Board meeting. He explained that this would be for additional consulting which staff think might be necessary to help in finding a permanent site for the downtown station. Mr. Pangborn added

that staff are concerned about the City's discussions about opening Willamette through to Eighth Avenue, and want to work with the City to find the best site for LTD.

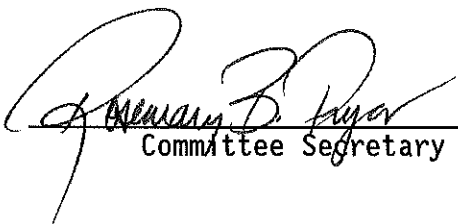
At this point, the Board took a short break.

Mr. Watkinson asked about a mandate for privatization; Mr. Pangborn explained that old language was put in the Surface Transportation Act to protect private providers as public agencies were buying out failing transit providers. However, the Urban Mass Transportation Administration administrator, Ralph Stanley, is reading new meaning into that language, saying that public monopolies are not the most efficient and need competition from private providers. Mr. Pangborn stated that LTD attempted to contract out Coburg service two years ago and was taken to arbitration by the labor union, and lost. At this time, the federal government is saying the District has to move toward certain goals for privatization in order to receive federal money, and the labor contract is saying that LTD does not have the right to do that, at least in certain instances. Staff are moving ahead cautiously and waiting for final federal regulations.

Mr. Pangborn said that there are several ways to accomplish privatization. The District could provide the equipment and subcontract the labor or maintenance, or subcontract out whole sections of service. These possibilities depend on what is available locally. The District already contracts out all shelter maintenance, Dial-A-Ride service, building custodial services, etc. In the future, there will be discussions regarding contracting out new or existing service, etc.

ADJOURNMENT: At this point, Mr. Pangborn stated that this was the end of presentations prepared by staff, and suggested that he could discuss additional division budgets or the Committee could wait until the next meeting to hear presentations made by the rest of the staff. The Committee decided to adjourn. At the April 23 meeting, staff will have a supplemental budget for FY 85-86, and the Committee will hear presentations on the rest of the budget. It is possible that the Committee could approve the budget for recommendation to the Board of Directors at that meeting.

Mr. Hamilton moved that the meeting be adjourned to April 23, 1986 at 7:30 p.m. in the Eugene City Hall. After seconding, the meeting was unanimously adjourned.


Committee Secretary

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