

MINUTES OF BUDGET COMMITTEE MEETING

LANE TRANSIT DISTRICT

ADJOURNED MEETING

May 20, 1987

Pursuant to notice given to *The Register-Guard* at the May 13, 1987 Budget Committee meeting, a meeting of the Budget Committee of the Lane Transit District was held at 8:00 p.m. on Wednesday, May 20, 1987 in the Eugene City Hall.

Present:

Board Members

Peter Brandt, Treasurer  
Janice Eberly, Vice President  
Keith Parks  
Gus Pusateri, Secretary  
Rich Smith

Appointed Members

Emerson Hamilton  
Bob O'Donnell  
Rosemary Pryor, Committee  
Secretary, presiding  
Dennis Strand

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

Absent:

Janet Calvert, President  
Dean Runyan

Paul Bonney  
Roger Smith  
John Watkinson, Committee Chairman

CALL TO ORDER: The meeting was called to order by Ms. Pryor, Committee Secretary.

MOTION

APPROVAL OF MINUTES: Dr. Smith moved that the minutes of the May 6, 1987 adjourned meeting and the May 13, 1987 adjourned meeting be approved as distributed. Ms. Eberly seconded the motion, and the minutes were approved by unanimous vote.

VOTE

BUDGET COMMITTEE DISCUSSION OF FISCAL YEAR 1986-87 SUPPLEMENTAL BUDGET AND FISCAL YEAR 1987-88 PROPOSED BUDGET: Mr. Pangborn informed the Budget Committee that staff were proposing a change from the document which had been distributed the previous Friday. In discussing a proposed budget based on a payroll tax rate of .005 (\$5.00 per \$1,000 payroll), the projected collection is \$5,137,000. If the rate were set at .006, the District would have collected \$6,165,000. Each .001 results in \$1 million of revenues. Mr. Pangborn explained that this amount is what the Budget Committee and Board have saved the community in terms of tax dollars by lowering the rate several years ago. He further stated that a 1 percent growth in the tax base results in \$51,000 in additional revenues.

Mr. Pangborn reviewed that, four weeks ago, staff had projected payroll tax revenues of \$5,042,440. However, the current projection was \$5,137,577, or an increase of \$95,137. Growth in the payroll tax base in FY 85-86 was 4.7 percent and was projected at 4.3 percent for FY 86-87, but had actually grown by 6.1 percent. Payroll tax receipts for FY 86-87 increased by 2.8 percent in the first quarter, 2.8 percent in the second quarter, 7 percent in the third quarter, and were projected to reach 10 percent in the fourth quarter. Normally, those receipts are higher in the third quarter and lower again in the fourth quarter. Mr. Pangborn stated that the District's prudent approach to budgeting and the increase in the tax base resulted in LTD having the luxury of deciding what to do with the additional revenues in FY 86-87.

Mr. Pangborn then discussed the projected year-end balance, including increased revenues of \$214,789 and savings in expenditures of \$477,015, for a total year-end balance of \$691,804. Staff were proposing to reallocate that balance to two categories: Capital Projects Fund - \$391,804; and Sick Leave Accrual - \$300,000. He explained that the Capital Improvements Program (CIP) insures that the District will have local share funds as long as federal funds continue to be received. Sick leave liability is a new category, with the District's total liability for sick leave at \$600,000. In the past, LTD has funded vacation leave liability in the same way, but has not funded sick leave liability.

In discussing the recommended changes to the proposed budget for Fiscal Year 1987-88, Mr. Pangborn stated that if the District has \$95,000 in additional payroll tax receipts for the current year, it would start the new fiscal year with a higher tax base. On the previous Thursday, the State had approved \$778,000 in stripper well funds to be used for local share for federal capital grants. This money is a result of fines paid by oil companies and allocated to states, to be put back into energy-related projects. Oregon proposes to use all of the stripper well money for transit, but it can only be used as the local share for leveraging federal funds. LTD should receive 10 percent of the State stripper well money, to go toward long-term capital needs.

Mr. Pangborn called the Committee's attention to a handout numbered Page 15. Service and ridership are projected to grow by 2 percent; and staff are assuming that federal operating assistance will remain the same for the next five years. In expenditures for Administration and Marketing and Planning, no real growth is anticipated other than inflation. However, in Transportation, service increases would result in a concurrent increase in expenditures. The reason the relationship between excesses or deficits in revenues over expenditures is not projected to remain the same over the next five years is a result of the relationship between passenger fares and payroll taxes; increases in expenditures outstrip increases in revenues.

Mr. Pusateri asked about expenses when the District moves into its new facility. Mr. Pangborn said that it will be a larger facility and will cost more to heat and maintain, but those figures have not yet been added into operating cost estimates for future years. He added that staff hope to have more of those kinds of figures in the next six months. The

move itself will probably occur in 1989-90. Mr. Pusateri remarked that even a 1 percent increase in Transportation and Maintenance had a significant effect on the budget. Mr. Pangborn stated that a 2 percent service increase or expansion, as assumed, also impacts areas such as Risk Management, for example, because more drivers mean the potential for more accidents, etc. When the District began planning the new facility, ECO Northwest said that a conservative increase would be 3.2 percent. Staff have tried to implement this 3.2 percent increase compounded annually over the next 20 years.

On page 16 of the handout, the same chart was presented using a .0049 rate for payroll taxes instead of the .0050 rate used on page 15. The figures assume a 5 percent annual growth in payroll taxes, and result in a slight deficit in revenues in the first year, which grows larger over the next four years. The projected deficit for the first year, \$7,900, is not significant, given the variables in the rest of the budget, and appears to be a manageable budget.

Mr. Pangborn then discussed the positive and negative aspects of the proposed budget at the .0049 tax rate. On the positive side, the budget reduces the community tax subsidy of LTD; maintains the budget at a level which meets projected needs; reflects prudent and conservative management by the Budget Committee and Board; and appears sustainable for at least the next two years. On the negative side, it does not address the additional \$300,000 in unfunded sick leave liability; does not include funds for a contract settlement; and assumes that LTD will continue to experience "windfalls" and federal operating and capital support. The District already has reached efficiencies in staffing, absenteeism, run cutting, etc., and may not be able to be as effective in the future in realizing a year-end balance.

Dr. Smith wondered if the Risk Manager recommended allocating more money to Risk Management at that time. Mr. Pangborn replied that staff did not have a definitive plan for self-insurance, because to completely self-insure would mean that the District would need to have \$1 million in reserves. That would either require a large windfall or a long period of time. Dr. Smith stated that he would rather put more money in the Risk Management Fund and leave the tax rate the same. He thought that the tax rate could be lowered later.

Mr. Pusateri asked about plans for bus replacement in the CIP. Mr. Pangborn said staff did look at allocating more money for capital projects, because the money will be needed for things such as bus replacement later. However, the plan does provide that \$220,000 will be allocated annually to the Capital Projects Fund, which will cover LTD's capital needs for the next five years. If there were more money in the fund earlier, the District would then be prepared if local share money was needed sooner than anticipated.

Mr. Pangborn said that staff were proposing the budget based on a .0049 payroll tax rate because, in the past, the Budget Committee had indicated that they would like to at least look at options for reducing the tax. Mr. Hamilton said he liked the suggestion of lowering the

payroll tax, and that it sent a positive sign to the community at large. He added that there would be plenty of room to move the tax back up in the future. However, Mr. Pangborn said that raising taxes is difficult; at the time when the District might need that money, it could also be a time when the local economy is down, but it could be done.

Mr. Pangborn explained that staff were asking for approval of the supplemental budget for FY 86-87 and approval of the proposed budget or the amended proposed budget for FY 87-88. Mr. Brandt and Ms. Eberly complimented the staff on volunteering to roll back the payroll tax. Mr. Brandt added that major construction projects in the area could result in further increases in the payroll tax, so the payroll tax rate could probably be lowered even more, and suggested that taxes could be lowered in the future if payroll tax revenues come in better than projected. Mr. Pangborn stated that staff would provide mid-year projections in December, and the Budget Committee would have an opportunity to look at this again then. Mr. Parks remarked that the District was betting on the upward mobility of the community, which could not really be projected five years into the future.

Mr. Pusateri said that lowering the payroll tax rate is a positive move, but he had concerns about the problems the District experienced in trying to figure out what the federal operating assistance would be over the last five years, and may now have in facing a new administration in the next couple years. He wondered about "tipping the scales" by reducing the payroll tax when there are so many unknowns in the future. However, Mr. Brandt thought that, rather than taking more money than the District needs, payroll taxes could be raised three months from that time if necessary. He said that the federal government had continued to provide funds for transit during the past four years, and he believed it would continue to do so.

MOTION APPROVAL OF FISCAL YEAR 1986-87 SUPPLEMENTAL BUDGET: Mr. Parks moved that the Budget Committee approve the supplemental budget for Fiscal Year 1986-87. Dr. Smith seconded the motion, and the supplemental budget was approved by unanimous vote.

VOTE APPROVAL OF FISCAL YEAR 1978-88 PROPOSED BUDGET: Ms. Pryor stated that the question on the table was whether to approve the proposed budget with the reduction in the tax rate or the proposed budget which included a .005 tax rate.

MOTION Mr. Brandt moved that the Budget Committee approve the budget as presented at the meeting, including a payroll tax rate reduction to .0049. After the motion was seconded, Dr. Smith stated that he would still like to see the District funding the Risk Management Fund a little better before lowering taxes. He thought the CIP was okay, but he would like to reduce the District's risks and liabilities. He agreed that the payroll tax should be reduced, but he didn't want to do it before better funding Risk Management. Mr. Brandt thought, however, that since the District is not yet self-insured, there was no need to create a large "slush fund" for ultimate disasters. He wondered if the Board needed to be updated on the issue of liability insurance rates, since it did not appear that the

million dollar rates being quoted a couple of years ago had come into effect. Mr. Pangborn stated that the District has a fairly high deductible per incident, \$100,000, from the Risk Management Fund; beyond that, coverage is provided through an umbrella policy. The Risk Management Fund is fully funded for deductibles.

Dr. O'Donnell thought that a change of administration would probably not be more conservative toward transit; he thought the policy would swing the other way, and he didn't anticipate that mass transit funding would be cut. He thought the District could boost the payroll tax rate to .0055 for the last half of the year if it needed to, to make up lost revenue, and still be under the maximum rate allowed by law. Mr. Brandt commented that it was unbelievable for a government agency to be as fiscally sound as LTD, and he thought the District should return something to the community. Ms. Pryor added that it is a strong testimony to the quality of staff that the organization is as sound as it is. She also stated that she believed the proposed reduction to .0049 to be a reasonable reduction, and that the District knows how to "right the ship" if it becomes necessary, so she supported the recommendation to lower the payroll tax rate. Mr. Parks thought the District was not really taking risks by reducing the rate to .0049. Mr. Strand stated that 30 percent of construction budgets are for labor, and he figured that local construction would amount to \$150 million over the normal amount. He suspected that the District would be looking at a \$600,000 excess for FY 87-88.

VOTE

Ms. Eberly called for the question. The motion to approve the proposed budget as presented with a reduction in the payroll tax rate to .0049 carried by unanimous vote. In response to a question, Ms. Loobey stated that the reduction would begin on July 1, 1987.

Dr. O'Donnell asked about the District's policy on sick leave accumulation. It was explained that employees receive 50 percent of their sick leave upon retirement, and 100 percent upon their death if employed at the time of death. Accumulation is limited to 60 days per employee. Mr. Pangborn added that administrative employees, for the most part, do not accrue sick leave, since they participate in a consolidated annual leave program, in which the majority of their sick days and all of their vacation days are in one plan and can be taken for either purpose, but do not accrue as sick leave toward retirement.

MOTION  
VOTE

Dr. Smith moved, seconded by Ms. Eberly, that the meeting be adjourned. With no further discussion, the meeting was unanimously adjourned.




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 Committee Secretary