MINUTES OF BUDGET COMMITTEE MEETING

LANE TRANSIT DISTRICT

ADJOURNED MEETING

April 24, 1991

Pursuant to notice given at the April 24, 1991, Budget Committee meeting and to *The Register-Guard* for publication on March 28, 1991, and distributed to persons on the mailing list of the District, an adjourned meeting of the Budget Committee of the Lane Transit District was held at 7:30 p.m. on Wednesday, April 24, 1991, in the LTD Board Room at 3500 E. 17th Avenue, Eugene.

Present:

Board Members	Appointed Members
Peter Brandt, Treasurer	Duane Faulhaber
Janet Calvert	Mary Gilland
Tammy Fitch, Vice President	John Humbert, Committee Secretary
Herbert Herzberg, Secretary	Tim Luck
Thomas Montgomery	Cynthia Pappas
Keith Parks, President	Rosemary Pryor, Committee Chair, presiding

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

Absent:

(vacancy in subdistrict 5) Roger Smith

CALL TO ORDER: Ms. Pryor called the meeting to order at 7:30 p.m.

PUBLIC COMMENT: Ms. Pryor asked for any comments from members of the audience. There were none.

MOTION **APPROVAL OF MINUTES**: Mr. Brandt moved that the minutes of the April 17, 1991, adjourned Budget Committee meeting be approved as distributed. Mr. Montgomery seconded

VOTE the motion, and the minutes were unanimously approved.

PRESENTATION OF AMENDED 1991-92 PROPOSED BUDGET: Mr. Pangborn first asked the Committee members for general questions or comments regarding the budget. There were none. He stated that at the end of the last meeting, a number of opinions were raised regarding the proposed budget, and that the committee members expressed concern that raising the payroll tax to .006 left very little flexibility for future contingencies. The only option in that case might be to cut services which may be well-used.

Mr. Pangborn discussed three options: to find another revenue source; to reduce operational expenses; and to reduce capital expenses. For each operating dollar cut, one dollar would be saved. For each capital dollar cut, the District would save twenty-five cents. Mr. Pangborn said that the division administrators had all reviewed their budgets in response to the Budget Committee's guidelines from the last meeting, to cut the budget but maintain the current level of service. No major program cuts were made, but staff did look at pieces that could be sustained for a year or two without a serious impact during the short term. However, over time, those cuts could have a serious impact. Mr. Pangborn used an overhead projection to show a list of proposed cuts amounting to between $200 and $10,000 each, and totalling $104,980.

In Personnel, the proposed salary survey was cut from the budget. After a question from Mr. Luck at the last meeting, staff had found an error in the amount budgeted for engine oil and lubricants, which had been over-budgeted by $1,900. Expenses to fund Americans with Disabilities Act (ADA) requirements were reduced by $10,000 by the elimination of the contingency, which had been included originally because staff were uncertain about the requirements of the new law. In Leases and Rentals, the lease for the Valley River Station had been double-budgeted. Additionally, the total Materials & Supplies budget had been reduced by about 1 percent.

Mr. Pangborn discussed the impact of the reduction on the payroll tax. Cuts in Personnel amounted to .3 percent, or $22,390. In Materials & Supplies, a 4.5 percent cut amounted to $72,590, and the cut in Special Transportation was 1.3 percent, or $10,000. Mr. Pangborn explained that the District received 1.5 cents from the Special Transportation Fund for Dial-a-Ride, and the State received .5 cents to use for future capital. State officials told staff that capital was not a problem, and that the State would consider using discretionary money for some of LTD's operational needs as long as those funds were not supplanting current dollars. ADA grant funds of $100,000 had been included in 1992-93 to help pay for a full year of ADA-required service. The result of these changes was that the payroll tax could be set at .593 percent in January 1992; .587 percent in January 1993; .594 percent in January 1994; and .594 percent in January 1995.

Staff then looked at the capital budget and made three changes. First, approximately $400,000 had been cut from the Capital Improvements Program (CIP) for next four years, or $100,000 in local funds. Some items were pushed out to future years. The District would begin to acquire the local share for only some items (buses, computer hardware and software, copiers, etc.), but not for shelters and bus stops. The bottom line of the CIP had been reduced in 1993-94, with significant expenses pushed out one additional year. Office equipment and furniture did not have a significant impact on the budget, but some purchases were moved out to future years. Mr. Pangborn said that the District was extremely reliant on computers, and had tried to maintain a computer replacement program for the next few years. The total impact of changes in this budget was $56,000 for seven years.

Few adjustments were made in bus maintenance. Some items were deferred, but there were no significant cuts.

The second largest cost in the CIP was for passenger boarding improvements. Mr. Pangborn said that because so many questions were raised regarding the Eugene Transit Station, it would be discussed in more detail later in the meeting. Other cuts in the CIP resulted in fairly significant savings. The single largest item, but one of the least flexible, was for buses. Expenses for buses were pushed out one additional year, so the District would have four years to acquire the local share for the next bus purchase. For a $4.5 million expenditure, the local share would be $1.1 or $1.2 million.

Ms. Fitch asked about additional buses needed for ridership growth. Mr. Pangborn said that staff were currently pursuing a federal grant for funding additional buses. Since the District had used a higher match than required for the most recent bus purchase, staff had submitted a request to the regional federal office to use that over-match toward buying additional buses now. However, staff believed the chances of that to be less than 50 percent. If it were approved, the CIP would be adjusted because the District would receive some of its next bus purchase early.

The final capital cost was for the utility fleet, including a field supervisors' vehicle and a vehicle to transport relief drivers downtown. The District's vehicles were purchased on an eight- or nine-year replacement schedule, after about 80,000 to 90,000 miles. After that point, the vehicles needed repairs often enough that it was less expensive to replace them. Mr. Pangborn said that if the budget faced further problems, these purchases could be delayed, but this schedule seemed most prudent at that time.

Ms. Calvert commented that the figures were in total amounts, not in local shares. Mr. Pangborn said the District needed to raise one-fourth of the total for local share, or $5.5 to $6 million over a seven-year period. The Long-Range Financial Plan would show one-fourth of the total for any given year.

Mr. Luck asked about site clean-up at 8th and Garfield. Mr. Pangborn explained that $250,000 had been budgeted in order to clean up the 8th and Garfield property and get it ready for sale. He said he hoped that $250,000 was more than the District would need to spend, but it was also about the maximum the District could hope to sell the property for. Offsetting revenues of $250,000 were shown in the budget, so it would be a "wash" if that much were spent; otherwise, there would be some additional revenues.

Ms. Pappas asked if it was realistic to assume that if the bus purchase were pushed out an additional year, the cost would remain the same. Mr. Pangborn said that the budget included an annual 5 percent increase in the cost of buses.

The result of these changes in the CIP on the payroll tax rate was that the District could balance the budget at .58 percent in January 1992, .58 percent in January 1993, .59 percent in January 1994, and .59 percent in January 1995. However, Mr. Pangborn said, in the third and fourth years out, things were fairly uncertain.

Mr. Pangborn said that prior to the budget process, the Board had spent some time discussing the downtown station. The Board had determined that the District needed an off-street station, so staff had budgeted for that in the future. Mr. Pangborn said that the downtown station was the District's weakest link in terms of service to its customers. The current station, along 10th Avenue, was initially a temporary site. A number of ideas previously were presented for a permanent site, but none of them worked, for political or other reasons, so the District had stayed there for the short term, and LTD and the City together improved the station in 1981. The station improvements coincided with ridership increases.

The District had been at the current station for eight years, and had experienced a 68 percent ridership increase during that time. The station was now near or beyond its capacity, and it would take an additional three to four years to complete a new station once a site was chosen. The Board was beginning the process of site selection; a Site Selection Committee had reviewed a number of downtown sites and recommended the Elections Lot, between 5th and 6th Avenues and Pearl and Oak Streets. The estimate to buy that site and build a station on it had surprised the Board and staff. Of the estimated $10.6 million cost, LTD would have to pay $2.6 million. The Board had asked if costs on that site could be reduced. After reviewing the expenditures, it appeared that the District could build a station that would work for $8.4 million, and possibly for less.

Staff surveyed the market and what was happening in other communities with their downtown sites. There was a wide range in terms of size of communities, from Denver to Santa Rosa. The average cost per bus bay, excluding LTD's proposed station, was $519, or $363 if Denver's station were excluded. LTD's two options for the Elections Lot would cost $408 or $323 per bus bay. The District found that it was not far off in looking at these kinds of costs; a station in the downtown community was not an inexpensive proposition.

The downtown station involved a number of decisions. The Board had said that $10.6 million was too expensive, and maybe the Elections Lot was not the best site. Staff were in the midst of preparing cost estimates and a fatal flaw analysis on other sites. The Board would need time to work through this process and generate the necessary information. Mr. Pangborn thought this might be done by the fall of 1991. The Board could reconvene the Budget Committee at that time to look at adjusting the payroll tax rate if less money were required.

Mr. Luck wondered if the number of bays per people were too many for Eugene. Mr. Pangborn said staff had looked at reasonable needs in a 20-year future. Denver had nine bays, but ran buses every five minutes. That meant that people waited there for five minutes and then left. There were no timed meets, but the buses ran often enough that timed meets were not necessary. Mr. Pangborn said that Planning Administrator Stefano Viggiano would review the District's plans to see if the number of bays could be reduced, but given LTD's 20-year service plan, it was staff's expectation that the current estimate of bays was the number that would be needed. He added that the District did not want to spend the money for a station and then find that it did not meet the District's needs for the future. Mr. Viggiano said it was interesting that medium systems needed more bus bays than large systems, because the buses run more often in large systems. Ms. Loobey added that LTD currently used 18 bus bays. Mr. Luck commented that if ridership increased substantially, LTD would be more like a larger system and need fewer bays. Mr. Viggiano said that would happen eventually, but that kind of growth was not projected within the next 20 years.

Mr. Pangborn added that locating a site for the station was difficult, because of the cost of the sites, and the "not in my back yard" (NIMBY) attitude of many businesses and land owners. He used a map to show the location of sites previously and currently under consideration.

Mr. Brandt asked if staff were proposing to spend $200,000 on the University of Oregon (UO) Station. Mr. Pangborn explained that currently the University Station was south of 13th on Kincaid and was beyond capacity. At times, there were three or four buses at the station, and some had to park to the north, on a dirt parking strip. Staff were working with the UO and the City to find the best location to park those buses. A site was selected just south of Old Taylor's, south of 13th on Kincaid. It was expected that the design would cost about $25,000 and construction would cost approximately $175,000. Mr. Pangborn said that about $900,000 in Federal Aid Urban money was available for capital projects, at an 88/12 match. The District's share of the project at 12 percent would be $24,000.

Ms. Fitch asked if the District would recoup that amount in the group pass program at the UO. Mr. Pangborn explained that the UO was a payroll tax payer, so would not pay specifically for the station.

Mr. Humbert asked if the City had been approached to find out what land was available, and if a long-term lease would be a possibility. Mr. Pangborn said that the County owned half of the elections lot. They were not willing to donate the land, but would discuss a sale. At the City staff level, there had been no discussions or commitments regarding the donation of land. He added that a long-term lease might be a possibility, and that it was possible to use federal money for a very long-term lease.

Mr. Brandt said that he was personally frustrated with the fact that the City did not want the District to take any City land, and wanted LTD to replace any parking the station would take. Mr. Pangborn said that to find an off-street site which the District would own would give LTD considerably more control over its destiny. At the current station along 10th Avenue, the opening of Olive Street would bisect the station another time, causing more bus, car, and pedestrian conflicts.

Ms. Fitch asked how much flexibility the District would have in the payroll tax at a rate of .0058. Tamara Weaver, Finance Administrator, said that each point was worth about $150,000, so the .0058 rate would provide a cushion of about $300,000. Ms. Fitch said that at the last meeting she had heard comments about setting the rate in the .0055 or .0056 range. Mr. Pangborn explained that, according to the District's Long-Range Financial Plan, with a payroll tax rate of .0058 next year, LTD would maintain a positive balance for the next three years, with a balance of almost zero in the fourth year. To balance the budget with a payroll tax rate of .0056, another $300,000 would have to be cut from expenses or capital.

Mr. Pangborn said that questions about the impact of the .0058 rate were raised at the last Budget Committee meeting. For each $100,000 in payroll, an employer would pay an additional $90 per year if the tax rate were increased by .0009. The annual impact on the average business would be $215. For a company with 20 employees with the average medium Oregon income of $25,000, the annual impact would be $461 on a payroll of about $.5 million. To show a sense of scale, Mr. Pangborn compared an increase in the payroll tax rate of .0009 to the current FICA rate of .0765, saying it was not a significant amount of money, but it would be an increase.

Mr. Pangborn asked if a payroll tax rate of .0058 would give the Committee enough flexibility in payroll tax revenues, at about $300,000 annually. He asked also if the cuts made by staff were significant in terms of the community and the service LTD provided. Ms. Pappas asked how the divisions made their cuts, in general. Mr. Pangborn said that most divisions cut training to some extent, as well as supplies of one sort or another. Staff were not given specific instructions other than maintaining current service and not crippling major programs. For example, in Transportation, $9,000 had been taken out of incentive pay for the bus operators, which was a sensitive program. Incentive pay was cut from four times a year to three times a year. Additionally, $5,000 was cut from instructor pay, so only essential training would be offered next year. Mr. Pangborn explained that bus operators could only be trained on a certain schedule, because the training had to be arranged a year ahead of time, when the vacation schedule was bid in March. Therefore, the District was already locked into two days of training per operator for the following year. Shelter rehabilitation was reduced, and staff were hoping that the City would do more of the tree trimming. Security at the 8th and Garfield property was also reduced in the amended budget, with $3,750 remaining to ensure that the property would be checked every other day.

Ms. Pryor suggested that the Committee members give their reactions to the amended proposed budget. Mr. Luck said he had expected a bigger decrease in the payroll tax rate than from .6 percent to .58 percent. Although the increase would not be large for a medium-sized employer, the District would be asking large employers to pay fairly large increases in the payroll tax.

Ms. Gilland said she was surprised at how small a percentage the rate went down in relation to the number of dollars taken out of the budget. She thought staff had taken out a substantial chunk. She said that last year the District projected a greater deficit than this year, and asked if staff were somewhat more comfortable with that because of the flexibility cushion in the payroll tax. Mr. Pangborn said they were. Ms. Gilland said she could not see staff making any additional cuts.

Ms. Fitch said she had hoped somehow that the District could get closer to .56 percent, because a $300,000 potential increase in expenses still did not give the District a lot of maneuvering room. She wondered if there was any potential to drop closer to .57 or .56 percent. She said that as a Board member she knew the importance of the Eugene Station, but that $10.4 million was not acceptable, and maybe $8.6 million was not, either. She said the District could not change the price of a bus, but could affect the price of the station. She said she would be in favor of edging down even one more point, to .57 percent, but that would put a little more pressure on the Board to deal with fiscal matters of the station.

Ms. Pappas thanked staff for all the hard work they had done in a week, but said she was also hoping for a projected payroll tax rate of approximately .56 percent. She said she would echo what Ms. Fitch had said, and would like to try again to get to that point, and if that required that the Budget Committee meet again later and look at the capital cost figures for the Eugene Station, they should do that.

Ms. Pryor said she was surprised that with all those cuts, the payroll tax rate couldn't get closer to .0055. Looking at the CIP, it surprised her that there could not be some movement of funds from the University Station to the Eugene Station if downtown Eugene was the hub and the station was important. However, she said, it did not do a lot for the bottom line to just move the expenses over.

Mr. Parks said that costs had been deflected by pushing them out into the future, but to really cut costs, the District would have to cut service. He asked if the Committee members really wanted to do that. He said that the projections were based on everything in the community going down, but that might not happen, and a turnaround could occur. He thought the District should just limp along, that what had already been done was good, and that staff had done a remarkable amount of manipulation with the budget in response to the Committee's requests.

Mr. Faulhaber said he was happy with how staff had reduced operating costs, and that he would like to see the Board deal with the downtown station. He said he was not informed enough to know, but thought there might be some alternatives in the downtown Eugene area. He said he was one of the few who thought the budget was appropriate the previous week, and he certainly thought it was fine now.

Mr. Pangborn commented that in terms of flexibility, the budget also included a contingency of $250,000, so the total flexibility in the budget was about $.5 million.

Ms. Calvert said she appreciated what staff had done. She thought the Committee members all wished the payroll tax rate could remain at .0049, but that was not possible. The collection of the increase in payroll taxes would not occur until April of 1992, so if conditions changed, there was still time to took at this issue again. The economy had gotten worse and better in the past, and she thought the Committee should not panic. Rather, the District should go ahead with this budget and look at payroll tax collections carefully, and then look at changing the payroll tax rate later, if necessary.

Mr. Brandt said he thought that staff had done a good job, but he thought there still was not enough cushion built into the budget. He had heard on the radio that the Willamette Forest Service would not allow one log out of that forest next year. He said this was a grim report, and if that happened, the community would see some real disasters, so the District needed more flexibility. He said the District was between a rock and a hard place, and if there were other cuts that could be made at the beginning of the fiscal year, rather than in a bigger fashion later, it would be good. He said staff would have to look at more than service, including employment. He suggested that maybe the Risk and Safety Administrator should not be replaced, and other staff would have to work a little harder. His personal opinion was that staff were not done yet, and needed to look harder.

Mr. Humbert said it seemed to him that the Committee's task was to get the budget to a point where everyone could live with it. If staff had truly cut everything they thought was a possibility, then the Committee was talking about cuts in service or capital improvements. Those issues had been discussed among the Board, and they had their expectations about the CIP. He said he did not know how important those improvements were within predetermined guidelines, and that, short of cutting service, he did not see any vehicle other than the CIP available to make further cuts.

Mr. Herzberg said he had missed the last meeting, but not too many weeks ago, the ridership fares had increased. In terms of what Mr. Brandt had heard on the radio happening in terms of jobs and employment, Mr. Herzberg said he didn't know if the community would have enough employment to get LTD's payroll tax rate back down. He said he was comfortable with the budget the way it was presented that evening, and added that it may be a long time before there was agreement on when and how to do the transit station in downtown Eugene. In hindsight, he said, the District should have started saving before then, possibly by an increase in the payroll tax at an earlier date. Other than cutting service, he did not know what the District could do with the budget. He suggested that the District might be able to get apprenticeship programs to build the needed storage building, which would be free labor, but the District would still have to buy the materials.

Mr. Montgomery said there were a number of points raised by others that he could agree or disagree with, but chose not to. He said he could live with the budget as presented that evening.

Ms. Fitch asked if staff were really expecting a 32 percent cost increase in the budget line-item for fringe benefits. Ms. Weaver explained that this line-item increased because the salary settlement for staff included a 4 percent wage increase and 2 percent higher benefits, representing an extra lump-sum benefit. Health insurance costs were up by a normal amount, probably 7 or 8 percent.

Mr. Parks said that one thing to take into consideration was that every time the CIP was cut, the District only put 25 percent back into the budget, so it would require large cuts in the CIP.

Ms. Pryor asked the Board members to provide some clarity around the issue of the downtown station. She said the Committee had been told this was a critical issue for the District, and it was in the original budget. If it was such a difficult issue, she wondered if staff or the Board were driving the issue. Mr. Brandt said he didn't know if there was any commitment yet, just a transfer of $68,000 to budget that year. He said it became an issue in long-range planning, not an issue in that year's budget. Mr. Pangborn said that the plan was to have a station, but that Mr. Herzberg might be right, that it might be 10 years out. Staff saw the transit station as a final, crucial piece of the District's infrastructure. The District had put together good designs before that had not gone forward because the community did not support them. He said that the decisions would be made later, and the commitment would be in future years' budgets.

Mr. Brandt's concern was that they were talking about just the main line budget. In the past, the District has usually had a surplus to put in the Capital Fund each year, but now there was basically a $200,000 cushion and the extra payroll tax, so there was not much of a cushion, and that could be lost very fast. Mr. Pangborn said there was a contingency of $250,000 in the Long-Range Financial Plan, which staff hoped would not be spent, and was put in the budget on the assumption that it would not be spent. The District would not have to make a transfer to the CIP, which would add another cushion of $69,000. Less money could probably be transferred into the Risk Fund reserves, but only for one or two years at the most, and would have to be replaced over time. Mr. Herzberg said a large workers' compensation claim could wipe out the risk fund. Mr. Pangborn said that the District's liability was limited, and had been funded at the full limit. However, if the loss rate went up, the District had to pay more the following year.

Ms. Pryor said she no longer had the impression that the CIP was driving the budget.

Mr. Brandt asked Marketing Administrator Ed Bergeron to talk more about where money would be spent in the media budget. Mr. Bergeron said that over the last two years, the District had instituted new production at the expense of being able to put it on the air. He was now proposing to use that production. In restructuring the Marketing budget that year, he tried to place the emphasis on people who were not yet riding, and to save money on information to existing riders. Media was the key element in advertising to new riders to ask them to ride. Ms. Pryor asked if that meant newspapers and television. Mr. Bergeron said that the emphasis for the following year would be on television, because that was where the production had been completed.

Ms. Loobey said that 30 to 35 percent of the District's ridership turned over every year. Mr. Bergeron added that there was a constant loss of riders that needed to be replaced, but the District was also looking for expansion where there was excess capacity on the buses.

MOTION Mr. Montgomery moved that the Budget Committee approve the amended budget as written. Mr. Humbert seconded the motion.

Ms. Fitch said she would still like to see more flexibility. Mr. Brandt asked if she had any ideas how to create more flexibility in the budget. She thought the transfer of $1,088,000 to the CIP in 1992-93 was driving up the budget, but Mr. Brandt and Ms. Pryor disagreed. Ms. Pryor said that reducing the budget by the $68,000 transfer that year was not even enough to a reduction in the payroll tax rate.

Ms. Weaver said that the payroll tax issue was complex, because staff were recommending an increase in January 1992 which would not be collected until May, so three-fourths of the 91-92 budget would be at the current, lower rate. She said she agreed with Mr. Brandt that employment was going down and that the District needed to proceed cautiously, but that it did have a margin of safety. She said she could reassure the Committee that she believed that the District was managing itself in a very responsible manner. She said she hoped the Committee would not do something that would put the District in a poor position for the future, and said she thought the District was in a good position to maintain the following year. There were a lot of things that might change in the next year, including the possibility of using the over-match funds for additional buses, or the cost of the Eugene Station.

Mr. Brandt said it would be one thing to say that the budget looked okay, and then to make decisions for the next year without looking more closely at the big picture next year. He said he was directing his comments at just that year's budget, and that he thought the District was spending too much money in relation to what it was bringing in, and either needed to cut expenses or raise income. He said that in all his years on the Board, they had never had to deal with that issue, but he didn't think they had really addressed what the problem could be, because maybe they would be cutting a whole lot of service sometime during the year. He said the District can hope that things happen as predicted, but things could change. Mr. Pangborn said that staff tried to see things both ways when preparing the budget. They did not anticipate a real disaster, but did anticipate that there would be some timber cuts. However, he said, the community would have to find some sort of compromise because too much of the community was dependent on the timber industry. In 1982-83, the District did have to cut service.

Ms. Pryor asked if the UO was a payroll taxpayer. Mr. Pangborn explained that the State paid LTD a certain amount per year in lieu of payroll tax payments, based on state employees who work within the district and who are not federally funded.

Mr. Parks said that it was not for the Budget Committee to manage the day-to-day business of the District, and they had been discussing tragedies that could hit any organization. If that happened, the District would find ways to deal with them. He wondered if the Committee would just want to cut 20 percent out of the budget, if it was so worried about all the disasters that could happen. He called for the question.

VOTE

The motion to approve the amended budget as presented that evening carried 8 to 4, with Calvert, Faulhaber, Gilland, Herzberg, Humbert, Montgomery, Parks, and Pryor voting in favor, and Brandt, Fitch, Luck, and Pappas opposed.

Ms. Pryor said that this matter was now in the hands of the LTD Board of Directors, and thanked the Committee members for their service.

ADJOURNMENT: Mr. Montgomery moved that the meeting be adjourned. The motion was seconded, and the meeting was adjourned at 9:10 p.m.

Roger B Smith

Budget Committee Secretary