MINUTES OF BUDGET COMMITTEE MEETING

LANE TRANSIT DISTRICT

ADJOURNED MEETING

April 15, 1992

Pursuant to notice given at the April 8, 1992, Budget Committee meeting, and to *The Register-Guard* for publication on March 30, 1992, 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 15, 1992, in the LTD Board Room at 3500 E. 17th Avenue, Eugene.

Present:

| Board Members | Appointed Members |
|---|---|
| Jack Billings | Rick Crinklaw |
| Janet Calvert | Duane Faulhaber, Committee Chairman, Presiding |
| Tammy Fitch, Vice President | Gerry Gaydos |
| Pat Hocken | Tim Luck |
| Thomas Montgomery, Secretary | Cynthia Pappas |
| Keith Parks, President | Roger Smith, Committee Secretary |

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

Absent

Peter Brandt, Treasurer                John Humbert

**CALL TO ORDER**: Mr. Faulhaber called the meeting to order at 7:30 p.m.

**PUBLIC COMMENT**: Mr. Faulhaber asked for comment from members of the public. There was none.

MOTION **APPROVAL OF MINUTES**: Mr. Gaydos moved that the minutes of the April 8, 1992, Budget Committee meeting be approved as distributed. Ms. Pappas seconded the motion, and

VOTE the minutes were approved by unanimous vote.

**BUDGET PRESENTATION**: Mr. Pangborn explained that he would finish the staff presentation on the Capital Improvements Plan (CIP), answer questions asked at the last meeting about fringe benefits, discuss Risk Management in more detail, and provide a summary and time for questions and discussion.

He distributed Comprehensive Service Redesign (CSR) information to the non-Board members of the Budget Committee. He explained that the Board had discussed the material in detail several times. It included system-wide changes and changes in specific sectors, annual service hours, costs, projected ridership, productivity (number of trips per hour), farebox revenue, and the net annual cost (farebox revenue deducted from costs).

**Review of Capital Improvements Plan**: Mr. Pangborn explained that a large portion of the District's capital funding came from the federal government. Capital purchases were planned for a five- to six-year period. The first year of the plan was included in the proposed budget for the following fiscal year, and the additional years were for planning purposes only. Even though LTD had to provide only 20 percent of the total costs for capital, it was still a significant amount of money. The six-year total of $26 million showed how capital-intensive the District is.

Mr. Pangborn explained that there were two primary sources of funding for capital purchases. Section 9 formula funds were allocated by the federal government to transit districts based on population and population density. LTD fell into the next-to-the-smallest category, for populations between 50,000 and 200,000, and received approximately $1 million in operating assistance and the balance, about $400,000, in capital funding.

For special projects, the District could receive Section 3 discretionary funds from the one-cent federal gas tax, which was a trust fund for transit. This fund generated $1.3 billion annually, which the Federal Transit Administration (formerly UMTA) distributed to transit districts as they applied for funding for special projects.

The District would apply next year for federal funding for a bus purchase in FY 93-94. A major capital item in the FY 92-93 budget was $4 million for the Eugene Station. Mr. Pangborn said it was optimistic that the District would spend that much in FY 92-93, but the money had to be budgeted in order for that project to move ahead. The total Board-approved budget for the Eugene Station at this time was $8.4 million. Passenger Boarding Improvements, shown on page 3 of the CIP, included the Eugene Station and expansion of the University Station, as well as new bus stops, boarding pads and shelters, and several smaller categories. In future years, this category would include expansion of the LCC Station and several park and ride locations. Mr. Pangborn said that these improvements tied back to what Ms. Loobey had been discussing, about finding creative ways to get more people on the buses and looking at infrastructure changes to help accomplish that goal.

Mr. Smith asked about the proposed rerouting of Beltline through the River Road Station. Mr. Pangborn said staff still did not know if the State would pay for the necessary changes to the station. Staff's theory was that if the State ruined the station, the State should pay the reconstruction costs. However, he said, staff might have to go back to the Budget Committee and the Board to amend the budget if that did not happen. Ms. Calvert asked about preliminary costs for the River Road Station in this situation. Planning Administrator Stefano Viggiano said it was difficult to know at that time, because one of the State's options was to completely relocate the station, which cost between $500,000 and $600,000 originally. However, the costs could be considerably less if the station stayed where it was and changes were made only to the curb areas, etc. Reconstruction could occur in 1996. Mr. Pangborn explained that the area was owned by the County, and the Commissioners had passed a resolution saying that site should be dedicated to alternative transportation into the future. The site was leased to LTD for somewhere around $50 or $100 per year. McDonald's had wanted to buy the site, but the County had said it was restricted for alternative transportation.

Mr. Luck wondered what the Board's responsibilities were toward the capital budget, as opposed to the Budget Committee's involvement. Mr. Pangborn explained that the Board reviewed the same document at the February Board meeting, and approved the concept for 1993-94 and out, and approved what was included in the 1992-93 budget. Mr. Luck wondered if the same were true for the entire budget. Mr. Pangborn said that the Board had seen the operational budget for the first time at the same time as the Budget Committee. They had set the parameters for service, salary increases, etc., but had not seen the budget document itself.

Mr. Pangborn explained that the $8.1 million bus purchase scheduled for 1997-98 was mostly for replacement buses, but not for expansion to double or triple transit ridership in the community. The budget and the CIP purchases only anticipated a 2 percent growth in service per year. Ms. Calvert asked if the per bus cost was $200,000. Ms. Weaver said that the 1992-93 price for a bus was estimated at $228,000, and staff projected a 6 percent inflation rate after that. Mr. Luck asked if the District sold its used buses. Mr. Pangborn said that the buses being replaced would be 15 years old, with at least 750,000 miles. There was a market for such used buses, but it was minimal. The last series of buses sold were much older and were not lift-equipped, and were sold for $2,000 to $3,000 to hobbyists who converted them for personal use. Mr. Luck asked if staff had computed the income from the sale of used buses, but Ms. Loobey explained that the District would only receive 20 percent of the sale price, with the rest returning to the federal government. However, if the buses sold for $5,000 or less, the District would receive all of the money.

Ms. Fitch asked if the bus purchase would be adequate to accommodate a Lane Community College group pass program. Mr. Pangborn said that the District had a reserve fleet, retaining the oldest buses in a contingency fleet until the next purchase. If LCC joined the group pass program, the District could use two or three buses from the contingency fleet. However, because such service was peak-oriented, which meant that more buses would be needed during peak hours, the District would eventually have to include that number of buses in the new bus purchase.

**Risk Management Budget**: Risk and Safety Administrator Kim Kaiser discussed the District's Risk Management budget. She explained that auto liability claims were broken down into minor, significant, and major claims. Minor claims involved minor property damage from $0 to $500, and were investigated by Dale Allore, with whom the District contracted for this service. Significant claims involved injury and property damage in the $100 to $15,000 range. They were investigated by an accident investigation team including a field supervisor, someone from Marketing, and Ms. Kaiser. They were settled out of court by Mr. Allore, who worked with Ms. Kaiser to determine legitimate and non-legitimate claims. Major auto liability claims involved injury and property damage, and, in addition to the accident investigation team, were also investigated by an attorney, and the insurance company was notified.

Ms. Kaiser said that the District had not yet had claims go to court, but a couple of large claims were pending. A significant amount of money had been reserved in case the claims would go to court, but staff were hopeful that these claims would also be settled out of court. She explained that the District's maximum liability was $100,000 per incident. That amount had not been approached in the past, but could be this year. She said the District had about 100 claims in an average year, with possibly one or two getting to the point of involving the attorney, and 98 percent being minor or significant claims.

**Fringe Benefit Question from Previous Week**: At the previous meeting, the question of why the "percent change" number varied from department to department was asked. Ms. Weaver said that each division had a different reason. The District had several different payroll fringe packets, including one for salaried employees, one for full-time contract employees, and one for part-time contract employees. The part-time contract employees received only medical insurance for themselves, not for their families, and only received FICA, not disability insurance, etc. Personnel changes resulted in major changes from one year to the next in fringe benefits. This year, changes were also due to improvements in the allocation procedures, which had been done by "head count" only, in past years.

Planning's fringe benefit change was 13 percent. Salaries were level, and a long-term staff member moved away and the position was filled by a new person at the entry level. Marketing's fringe benefits were more complex. Last year a position in Marketing was downgraded to part-time and the benefits were eliminated, and one position was vacant part of the year due to a maternity leave. This year the one position's benefits were being restored and the position was returning to full-time, and the person who went on maternity leave was remaining at .8 FTE. Safety and Risk's fringe benefits were reported incorrectly last year, because instructor wages were included in that budget until last year, when they were moved to Transportation. However, the FICA was not, so the Safety and Risk fringe benefits were overstated last year. Ms. Weaver said that each division budget had some individual characteristic which made its fringe benefits different.

Ms. Fitch asked about the 14 percent increase in medical costs. Ms. Weaver said that the budgeted amount increased 14 percent because that was the maximum amount allowed in the labor contract. Personnel Administrator Bill Nevell explained that there was a cap at 14 percent. Staff were negotiating with carriers, so the total increase would be less than 14 percent.

Mr. Luck asked about the total increase. Ms. Weaver said that people usually talked about the percent change as a percentage of wages. She said that the percent changes from year to year in the budget. Last year's average was 16.3 percent, and this year's average was 28 percent. Mr. Luck asked about the increase in benefits, if wages increased 4 percent. Ms. Weaver said that staff could compute that figure and return to the Committee.

Ms. Hocken said it would be helpful to know what was included in the 28 percent. Staff explained that medical, dental, vision, life, and long-term and short-term disability insurance, FICA, severance pay plan, and retirement were included. Retirement was paid as a percent of wages for salaried employees, and as a per hour cost for contract employees. Ms. Weaver explained that 40 to 50 percent of the fringe benefits were based on a percent of wages. Others, such as the medical and vision insurance, were based on a flat rate and did not vary even when wages varied. Those differences resulted in some anomalies when the percent of change in benefits was considered.

The Budget Committee recessed at 8:10 p.m. for a ten-minute break.

**General Administration**: Ms. Weaver discussed the detailed budget for General Administration. She explained that $2,000 had been added to temporary unclassified wages to handle extra work associated with the Comprehensive Service Redesign (CSR). Also, all administrative retirees' benefits were charged to General Administration. She said that the District was in the first year of a new accounting program, so it was the first year staff were able to delineate all the fringe benefits. When the budget was prepared the previous year, the fringe benefits were not itemized, so it was difficult to compare the two years.

Ms. Weaver explained that no contract employee wages were included in the General Administration budget. The percent of fringe benefits to the total was 32 percent. That was higher than the normal 28 percent for the rest of the budget because the retiree insurance benefits were included in this budget for the first time. The percent change for the total General Administration budget was 16 percent.

**Personnel**: The Personnel budget included the salary and benefits for one salaried position. The benefits were the same as for General Administration, except that there were no retiree benefits. Some temporary unclassified wages were included. Those were wages paid to bus operators to do particular types of work during the year. The only fringe benefit associated with those wages was FICA.

**Transportation**: The Transportation budget was broken into administrative salaries and contract employee wages. The Transportation division tracks sick pay, pay for charters, free time, stand time, mark-off pay, alternative duty pay, etc. The budget projected $25,700 for alternative duty wages for FY 92-93. Ms. Calvert asked if these were wages paid while employees were recovering from work-related injuries. Ms. Loobey said they were. Ms. Fitch thought it was positive that alternative-duty employees were doing some kind of work during their recovery.

The Transportation budget also included the cleaning of bus operators' uniforms and the retiree insurance for contract employees, projected at $32,600 for FY 92-93. Mr. Crinklaw asked if this was a defined benefit program. Ms. Loobey replied that the retirement plan was a defined benefit plan for administrative staff, and a defined contribution plan for contract employees. Mr. Luck suggested that it would be helpful to switch the prior year's information when a line-item is switched from one budget to another. Ms. Weaver explained that the District was required by law to leave the history intact for two years, so it made things hard to compare. She said that the Committee would see the Risk Fund in the budget for two years after it was eliminated, and she could not move the history of the Risk Fund to the Risk division, but staff were trying to find a way to make the line-item comparisons simpler. Ms. Loobey suggested that a footnote about where the line-item was transferred might help.

**LONG-RANGE FINANCIAL PLAN**: Ms. Weaver presented a comprehensive look at the financial plan and the proposed budget as it fit within the financial plan, so the Committee could see the proposed budget in its entire environment. She explained that the budget was prepared in a five- to six-month process for the Board and staff. She used overhead projections to further explain some of the process used that year. First, the CSR was set as a focal goal for FY 92-93. The financial plan assumptions (budget rules) were developed with the Board. The Capital Improvements Plan (CIP) was developed and reviewed. The current year-end performance and financial position were estimated. Revenue projections for FY 92-93 were set, and future revenues were forecast. The maximum sustainable service for FY 92-93 was predicted using the financial model, as well as the trend indicated for future years. Future service and tax rate projections were set, as indicated in the model. Finally, the financial plan was finalized, and the proposed budget was completed within the plan to present to the Budget Committee. Most significant to the development of the proposed budget were the CSR, the revenue forecasts into FY 92-93, and the financial plan assumptions.

The goal for FY 92-93 was to implement the Comprehensive Service Redesign. The assumptions for the financial plan were that it would keep the tax rate below .6 percent for a full five years; not raise the tax rate for the FY 92-93 budget year; keep the reserves of $853,000 intact; keep expenses under revenues for at least three years; and adequately reserve for major capital purchases. Ms. Weaver explained that governments are allowed to use their carry-forward to operate, but it is generally not operationally wise to do so, unless there is a short-term dip in the economy or future alternative revenues are available.

The Long-Range Financial Plan was included in the budget document for the Committee's review. Ms. Weaver explained that it was an interactive model which allowed staff to look at a number of "what if's" during the planning process, so they could see the parameters and the District's financial position within a certain window. She then discussed all major assumptions within the model, and the bottom line. The Long-Range Financial Plan included the actual detailed history, the current-year budget, the budget variance, the proposed budget, and estimates for four outer years. She said that years four and five were pretty far out for budget purposes, but were included to give the Committee an idea of trends.

Ms. Weaver discussed the payroll tax, saying that the economy or tax rate were the two aspects which caused payroll tax revenues to change. She showed a five-year history and five-year future estimate for payroll tax revenues. In FY 90-91, growth over the prior year was only 4.7 percent. Staff worked with the Lane Council of Governments (L-COG) and local economists and were told that 1991-92 would be flat or worse. When the current-year budget was adopted, the growth rate was basically zero, and the Board approved a .58 percent tax rate. After three-fourths of the collections for the year were collected, it appeared that the revenues would be about 4.3 percent above the prior year, and not flat. This would result in about $400,000 more than expected. The local economists and L-COG were projecting a 3.5 percent growth rate for 1992-93, which staff believed to be a conservative projection.

The tax rate had not been raised for twelve years. During the budget process the previous spring, the Budget Committee had somewhat reluctantly recommended increasing the tax rate to .58 percent. However, during the fall, the Board was able to reduce the rate to .56 percent, based on two additional collection periods. Tax rate assumptions for future years were .56 percent in January 1992; .56 percent in January 1993; .58 percent in January 1994; and .59 percent in January 1995, 1996, and 1997. Ms. Weaver stated that these assumptions were not set in stone, and that they would be reviewed annually.

Ms. Weaver next discussed revenue growth assumptions. Passenger fares were a key variable. The pricing structure for passenger fares tried to meet inflation on an annual basis by changing different fare instruments. Ridership and the marketing plan were also key components. For FY 92-93, Marketing's major focus would be to educate the current riders about the CSR changes, and staff did not expect a high increase in ridership. Other revenues included group pass programs; the State In-Lieu-Of Payroll Tax; and the Federal Transit Administration (FTA) operating grant. Staff were projecting no increases in the operating grant in future years.

Ms. Weaver then discussed expenses. These included the Risk Fund and the Special Transportation Fund pass-through dollars, which exactly equalled the STF revenues. The most significant expense item was for the service changes associated with the CSR. A 6.7 percent service increase was included in the proposed budget. Staff used conservative projections in future years, and believed that the 6.7 percent service increase could be sustained in future years. Modest additions to service were projected for future years. Ms. Hocken asked how the projected service increases fit with the goal of reducing Vehicle Miles Traveled (VMTs). Ms. Loobey said that the modest service increases in future years would not help meet those goals. Service increases of approximately 2 percent per year would probably keep up with population growth, but would not make progress toward meeting the requirements of the Statewide Transportation Rule/Goal 12.

Ms. Pappas asked if there was a correlation between service increases and ridership growth. Ms. Loobey said that transit districts across the country had not had the kind of ridership growth that LTD had, since LTD had provided modest service increases and increased ridership by approximately 70 percent during the last 10 years. LTD had not had service improvements that did not result in corresponding ridership increases. Ms. Fitch asked about meeting Goal 12. Ms. Weaver said that the District's internal plan was to implement the CSR in FY 92-93, and, depending on the economy, provide a bolder service plan for the future. A diversification of revenues would also be necessary. She said that the District had built in more flexibility with reserves, so it could respond to fluctuations for short periods of time, but did not have the ability to add significant chunks of service to the system when the economy went up and down. Between 1980 and 1983, the District cut service by 24.4 percent. Since then, the District had achieved steady growth in service and ridership.

Mr. Luck asked how the District measured service. Mr. Viggiano replied that service was measured in terms of service hours. One bus on the road for one hour equalled one service hour. He said that Ms. Loobey had been referring to service in a broader sense, in terms of facilities and buses. Mr. Luck asked about total service hours. Ms. Weaver said that approximately 240,000 service hours were budgeted for FY 92-93, approximately the same as

1979-80. Mr. Parks explained that a cut in service resulted in a downward spiral in ridership, so the District needed to maintain a foundation of service that riders could rely on. Ms. Weaver stated that this philosophy had been a driving force in budget preparation this year. Ms. Hocken said that the number of riders per hour was a different measure of service. Also the number of people served relative to the number of available spots. Ms. Loobey said that it had been suggested that for the size of the local community, LTD should provide two service hours per year per capita. She said that modal split was difficult to explain, but striving for two hours of service per person in the community was an interesting way to state a goal. That would amount to 380,000 hours of service for the population, and that was still not enough to meet the requirements of Goal 12. Ms. Calvert asked what it would take to meet Goal 12. Mr. Pangborn said it would take a quadrupling of LTD's ridership, at least, from 5 million trips a year to 20 million trips a year. He said that the goals in TransPlan were to quadruple LTD's ridership plus walking, bicycling, etc., which would get the area close to Goal 12. LTD would not have to quadruple its service, because some of the necessary service would be peak-hour oriented, and some buses were not full all the time. Ms. Loobey stated that these community goals would have to be done in partnership, including things like flexible work hours, etc. Ms. Hocken thought that it was likely that LTD would have to increase service hours more than projected in the Long-Range Financial Plan in order to meet Goal 12. Ms. Loobey said those increases would include frequency and areas of coverage.

Ms. Weaver discussed revenues and expenses together, to show the current year's performance. Staff believed that revenues would come in a little over $.5 million better than projected, and that expenses would come in around $330,000 under projections, so that the District would end the year about $867,000 to the good. Staff recommended a $670,000 increase in transfers, since the District had budgeted a very small transfer to the CIP last year, and $198,000 in cash carry-forward.

Ms. Loobey said that for ten years there had been a stated goal on the part of the current administration to do away with transit operating assistance, and Congress had never let that happen. Congress passed the Intermodal Surface Transportation Efficiency Act (ISTEA) last year, in which funding for operations and capital were greatly increased, but later budget problems resulted in not all funding allocated in the ISTEA being appropriated. This year, because of the 1990 census, LTD missed by 11,000 being in populations over 200,000. No money was added for populations that size; it was just spread among more areas, and LTD would have to live with that cut for ten years, until the next census.

Ms. Weaver said that capital transfers had a significant impact on future budgets. Major capital projects for future years were the Eugene Station, and bus purchases in 1993-94 and 1997-98. Projections for future costs were estimated, and would be assessed each year. The District would need to transfer $42,000 per year out of the General Fund for the 1993-94 bus purchase, and $77,000 per year for an $8.4 million Eugene Station. The District would need to transfer $224,000 per year just to obtain the 20 percent needed for the 1997-98 bus purchase. Ending the year with additional revenues could sometimes allow the District to transfer additional money for future capital needs during the current year, and avoid some of the future transfers from operational funds. In 1992-93, $.5 million would be needed to cover the capital reserve and purchasing needs for future projects.

**Summary**: Ms. Weaver summarized the proposed budget, in the context of the Long-Range Financial Plan and the assumptions used to build the budget: implementation of the CSR, to restructure the system and respond to the most immediate service needs; financial stability without increasing the tax rate to .6 percent; not using the cash carry-forward until the fifth year; operating revenues predicted to be under expenses for at least four years. Staff believed that the District could sustain the proposed service, and the Long-Range Financial Plan would be reviewed on an annual basis.

Mr. Faulhaber asked if the Committee wished to ask questions for staff to respond to the following week, or if they were ready to approve the budget as recommended. Mr. Luck asked Ms. Loobey's opinion about constructing the Eugene Station for $8.4 million. Ms. Loobey said that, to the best of staff's knowledge, $8.4 million was a realistic estimate. However, there would be a lot of costs over which the District would have very little control. At $12.4 million, the District had been looking at a different site. The principal difference, beyond construction costs, was the difference in the number of parking places the District would have to replace, so the big difference would be found in some of the attendant costs. She said that the structure itself could be built for between $4 and $6 million, with additional costs for land and parking replacement. Ms. Weaver said that, if necessary, the bus purchase could be moved out one year from the most desirable purchase year, in order to meet the needed reserves for the Eugene Station.

MOTION Ms. Fitch commended the staff on their excellent job and budget. She moved for approval of the budget as presented. Mr. Montgomery seconded the motion.

Mr. Gaydos commented about EWEB's way of establishing salaries and the Chamber's resulting suggestion to look at efficiencies. He said that no one had looked at that at LTD, but in the future, the District may need to look more closely at private sector benefits. For instance, not many private firms could give family benefits. If that was not a concern for FY 92-93, LTD might want to consider it over the next few years.

VOTE Mr. Gaydos called for the question, and the budget was approved by unanimous vote.

**ADJOURNMENT**: Ms. Fitch moved for adjournment, and the meeting was duly adjourned at 9:55 p.m.

Budget Committee Secretary