

MINUTES OF DIRECTORS MEETING

LANE TRANSIT DISTRICT

SPECIAL MEETING

Tuesday, April 5, 1994

Pursuant to notice given to *The Register-Guard* for publication on April 1, 1994, and distributed to persons on the mailing list of the District, a special meeting of the Board of Directors of the Lane Transit District was held on Tuesday, April 5, 1994, at 12:00 p.m. in the LTD Board Room at 3500 E. 17th Avenue, Eugene.

Present: Kirk Bailey  
Rob Bennett  
Steve Engel  
Tammy Fitch, Vice President  
Patricia Hocken, President, presiding  
Dave Kleger, Treasurer  
Thomas Montgomery, Secretary  
Phyllis Loobey, General Manager  
Jo Sullivan, Recording Secretary

**CALL TO ORDER:** Ms. Hocken called the meeting to order at 12:10 p.m.

**DISCUSSION OF FIVE-YEAR BUDGET ASSUMPTIONS AND PRIORITIES:**

Ms. Hocken turned the meeting over to Finance Committee Chair Steve Engel. Mr. Engel said that the Finance Committee (Mr. Bennett, Mr. Montgomery, and himself) had met a couple of times to review the District's Long-Range Financial Plan (LRFP), and had been working with the basic assumptions that would have the greatest effect on the plan. He explained that the payroll tax had the greatest effect on the revenue side, and projections were made using estimates from the State of Oregon. Payroll tax revenues were difficult to predict because of fluctuations in the local economy. Fluctuations in farebox revenues also affected the revenue side. On the expense side, the two greatest impacts were expenditures for direct payroll and fuel. Payroll costs were certain when there was a signed contract, but fuel costs fluctuated and were not easy to predict. Other assumptions discussed by the Finance Committee included: (1) What level of service the District would want to provide; (2) How much that service would cost; and (3) What the sources of revenues to pay for that level of service should be. The LRFP would have to be adjusted according to the level of service and financing; it would be very different for a minimal level of service as opposed to an aggressive level of service. Level of financing could be the amount charged in the farebox or the tax rate imposed on the payroll tax. Sources of financing could mean also adding a self-employment tax to the District's revenues.

Mr. Engel said that the Finance Committee wanted the full Board to give the Committee some idea of what level of service the District should provide, whether that would be minimal or aggressive, or somewhere between. The Finance Committee wanted the Board to decide

on a target level of service or a philosophy of service, before holding additional discussions about the Long-Range Financial Plan. As an example, Mr. Engel said that, on one extreme, maybe the Board should identify bus schedules that could be operated at a profit by a for-profit company. Another extreme might be that the District should provide service only where there was a high level of usage. He said he was not advocating any service level; he was providing examples of different levels of service that would require different levels of financing.

Mr. Engel stated that staff already used some policies regarding the level of service, such as wanting to cover as much area within one-quarter mile, or within three or four blocks, of households. The Board could change that policy to say that service should be provided within one block of households; that might lead to higher ridership, but expenses also would skyrocket. Or, the number of times buses traveled on the routes could be changed. If the Board wanted to do something like this to encourage ridership, the Finance Committee would like to know that in order to prepare a funding plan for approval by the Board. Also, current policy was that if ridership on a route stayed within two-thirds of the average ridership on the system, that route was retained. That policy could be changed, which also would affect funding.

Mr. Engel said that the Finance Committee would like to have a long-term level of service that the District could finance toward, even if that level could not be accomplished in the first year.

Ms. Fitch commented on two statements she had heard during her participation on the TransPlan Update Land Use task force. One regarded the negative side of rubber-tire transportation, with people saying they didn't know when the routes were going to change. She also had heard testimony at Board meetings from people, especially retirees, who had purchased a home because of convenient bus service, and then that service had changed. Ms. Fitch said that maintaining stability on the routes was one of her big concerns. She thought that staff did some good planning for routes, and the Board should back that up, and service should not be added unless there was a long-term commitment, with the possibility of increased marketing to get the word out about the service, rather than taking it away. She had heard praise for light rail because once the investment is made in tracks, there is no change in routing.

Ms. Fitch said she also believed that LTD had a mandate to help with future transportation planning. She would rather be more aggressive, and would not advocate having service farther than three or four blocks away from households.

Mr. Engel stated that following Board discussion of what it would like to accomplish, staff should prepare a recommendation for how to accomplish it, including alternatives such as service within three or four blocks, pulse times, etc.

In discussing the issue of Vehicle Miles Traveled (VMTs), Mr. Engel said that maybe one of LTD's objectives would be to increase the number of riders who had opportunities for transportation other than the bus, rather than those who were dependent upon the bus. He suspected that many current riders did not have any other mode of transportation. He commented that part of LTD's service was to provide transportation for people who did not

have any other means; the federal government and the local, state, and county governments had decided that the ability to get around was almost a right of citizenship--so much so that large amounts of tax dollars were being allocated for that purpose, but people without other transportation did not drive or use VMTs. He wondered about the current percentage of riders with access to other means of transportation, how much that could be increased during the next ten to 15 years, and how that might be accomplished. He said that was one of the philosophical goals of LTD, and there might be others. Another one might be that LTD wanted to support the concentration of people and businesses in downtown. He used the example that if a shuttle were not financially self-supporting, maybe the Finance Committee would propose providing a shuttle anyway, because it would accomplish the goals of LTD.

Mr. Bennett said that one of the land use issues being discussed was compact urban growth. He thought that LTD wanted to be part of encouraging people to live in a compact urban growth setting, because everything becomes less expensive in terms of the infrastructure, over time. He said that might be a hard sell, but to the extent that the Board was trying to make a decision about how far out it wanted to go in terms of providing its kind of transportation, how far LTD wanted people to walk had to do with the land use issues of where people were living and working. He thought that was important. He believed that compact urban growth made a lot of sense, and was the best way to provide what the community needed in terms of interacting. He thought this concept should be included in terms of LTD's service policies.

Mr. Bennett agreed that some people did not have transportation and needed bus service. He also thought that the District could have the greatest impact in terms of meeting objectives by concentrating on getting people out of their cars. He said he would lean hard in the direction of trying to increase LTD's participation in the trips that people currently were not making on the bus. He saw that in terms of employment centers and commuters, and wanted to see LTD increase its efforts in this regard. He said the District should be working hard to increase the level of ridership where there was the best chance to have a material impact on VMTs. Mr. Bennett said he would consider substantially increasing the marketing effort, maybe even doubling it, and making a responsible, major effort. He stated that he really believed that enhancing the bus ride had a role to play.

Ms. Fitch said that maybe it was time to review the philosophy of the group pass program. When the first group pass program was implemented, the staff and Board spent a lot of time looking at the formula for charging participants for the costs. However, she thought under current policy, if one group already had a higher ridership than another group, that might be a detriment when beginning a group pass program. She thought a new equation should be developed to spread out the costs to decrease the number of rates, and that one group having a higher cost than another, and having numerous different rates for different groups, was a negative factor in the eyes of potential participants.

Ms. Fitch said she agreed with Mr. Bennett and Mr. Engel that the District needed to provide service for people without transportation, and also to get more commuters out of their cars. She gave the example of visiting Washington, D.C., and not having to rent a car because public transportation was so efficient and convenient. She doubted that anyone coming to Eugene would be told there was no need to rent a car.

Mr. Kleger said he shared Mr. Bennett's view that the District needed more than basic service, but if LTD did not increase its efforts to expand the convenience level of service, people would not get out of their cars. He stated that his experience with the TransPlan Update process had convinced him that convenience of service would be the cutting issue on increasing utilization. He said the District would need to do some things to make it possible for people to get on the bus and then be able to travel at least as quickly as the flow of the traffic stream. This might mean not stopping every couple of blocks. He thought that commuters would put up with a loss of comfort if they could get to their destinations as quickly as they could in their cars. This would mean providing more express runs and maybe more complicated schedules.

Mr. Engel asked Mr. Kleger to clarify his definition of basic service. Mr. Kleger said he thought basic service meant a three- to four-block standard for service within the metropolitan area at least one time per hour, and covering as much area as the road network would allow. He said the District needed to be able to provide this basic level of service, or its reason for existing would be cut out from under it.

Ms. Loobey said that currently approximately 85 percent of households in the metropolitan area were within three or four blocks of a stop. The other 15 percent were not easily accessible because of the road network, or because they lived in low-density neighborhoods where ridership productivity standards could not be met. She said that part of interpreting the standard for service could be that 85 percent of households within the metro area would have service within one hour, or it could be stated as so many hours of service per capita, annually.

Mr. Engel asked if parts of the District's service area currently were accessible by bus but did not meet that basic service standard. Mr. Kleger said his definition was for the metro area, and the suburban area was another matter. He stated that he did not want to rigidly apply a standard, and it should be applied differently in the urban core and outlying areas.

Planning Administrator Stefano Viggiano said that the District's productivity standards were different for rural and urban service. Within the urban area, the standard was that service would be provided at least one time per hour, but some rural service was provided only four times per day. The standard was not stated differently for the urban core itself, but probably was a de facto standard, because service was provided based on density and ridership.

Mr. Engel stated that people in the rural areas paid the same amount of tax and might want the same level of service. However, Ms. Hocken said this could be debated, because there were fewer businesses in the rural areas, providing fewer tax dollars. Some rural areas might have more service than their payroll tax dollars paid for.

Mr. Bennett said he so far had only a cursory introduction to the budget, and didn't know that there was enough money to do everything the District might want to do. He thought the Board would have to make some hard choices over time, so it was important to him that the Board develop some objectives. If the objective was to get the highest possible ridership from

the current fleet, that might generate a different operating decision than one that dealt only with basic service.

Mr. Kleger thought that the political survival of the District would require at least a basic level of service. He said he had seen transit get a bad name by not serving some sympathetic customer groups in various communities around the country, and then have that turn into an axe to chop up the district by those who did not want to spend tax money on public transportation. He said he was not willing to hand them the axe.

Mr. Hocken said she thought Mr. Kleger had hit the nail on the head with his comments about convenience. As an example, she said it took her 45 minutes to ride the bus to work, including a transfer, but only 15 minutes in her car. She thought LTD's best market was the downtown area, because there was a large enough, and growing, population for which LTD could provide service without requiring transfers. In addition to time, shelters at bus stops were important, to provide people a place to wait out of the rain. Mr. Kleger added that the problems were more than just the way the routes were set up; the roads themselves were set in a radial structure and required a radial bus system.

Mr. Engel said he was not willing to accept the convenience issue right away; he thought "convenience" was a euphemism for other things, and he had not seen marketing studies on why people were not riding the bus. He suggested that convenience could mean, for example, that the bus took too long, or a person did not want to walk three or four blocks, or the bus did not travel at a time when a person wanted to travel, or someone did not like the type of people who rode the bus. He said he would be an advocate for some sort of VMT goal for LTD, and going above and beyond serving people who did not have alternatives to serving those who did.

Mr. Montgomery thought that any of the ideas presented would take more money, and none would take less. Mr. Engel said, however, that the Board could decide that the current level of service was too liberal and cut it back. Mr. Bennett stated that he had said the Board may have to make some hard choices in order to provide service, and he was interested in that discussion. Mr. Montgomery said that the District might have to cut some service in order to provide another kind of service, but the Board was not talking about just cutting service. Mr. Hocken thought the Board was discussing expanded service to take care of the growing population, more congestion, etc. Decisions would have to be made about whether the Board wanted to expand and increase ridership.

Mr. Engel suggested that, as an example, the philosophy of putting the meeting of VMT goals ahead of providing basic service would be different than an emphasis on fancy buses, attendants serving coffee, and charging \$3 per ride, similar to service and higher costs on an airplane. From a financial planning standpoint, he wanted to know what the Board wanted to accomplish over the next number of years, and then hear recommendations from staff on how to accomplish that. He said that the Finance Committee had not yet been told that basic service was sacred, or what that level of service was, if it was sacred.

Ms. Hocken said she thought the District needed a basic level along the definition that Mr. Kleger used. She thought a goal of 90 percent of households within three or four blocks

might be reasonable, rather than 100 percent. Within that goal, some hourly service could be increased and some more frequent service could be decreased without violating the basic service concept, as long as the least frequent service was hourly. She thought that basic service should come first, because that was the reason LTD existed, to provide lifeline service. She said that having transportation may not be a constitutional right, but people couldn't get to work, to the doctor, to buy groceries, etc., without it.

Mr. Bennett asked about the relationship between the cost and service to the customer: should it cost more if a person did not live in a compact urban growth area? Ms. Hocken stated that, having said that lifeline service is necessary, she did not mean the District had to choose to serve people who choose to live in outlying areas. She suggested considering zone fares, which were common in other areas for taking people longer distances.

Mr. Bailey said that whether the District liked it or not, it was living under a state mandate to reduce VMTs, as well as under a growing philosophical mandate that people needed to get out of their cars into a more efficient, less polluting transportation system. He thought that LTD was providing good service that the community appreciated, but there was an impetus for more service, and the District should step up to the plate. If the additional service cost more money, the District might not have a choice but to pay the extra costs, because that was the price that had to be paid for a cleaner environment. He said he did not share the fear that all of a sudden the District would have to pay more money for it. The choice at some point might be as simplistic as riding the bus or getting cancer.

Mr. Bennett said he was not a marketing person, so was interested in what might be appropriate marketing of the service. He thought that focusing entirely on the pollution issue would not be successful in the long run. Non-polluting vehicles were just becoming available, because the public was just beginning to demand them and be ready to pay for them. Even though Eugene/Springfield was in a valley where there were some extremely important air pollution issues, the reality was that the long-term success of the bus company would not be predicated on the harmful effects of pollution, in his view. Rather, he thought it would be based on the whole issue of congestion, crowding, parking structure costs, road building, spreading out. Various people over the years had tried to make the important case for air quality as a way to talk about alternative transportation, and it had not worked.

Mr. Bailey agreed that the pollution issue was simplistic, and suggested that there were numerous reasons that people needed to get out of their single-occupancy vehicles, including safety and economic reasons, and get into a system that was much more comprehensive, in the European model. He said he understood Mr. Bennett's argument, but thought that LTD was a public service and had a duty to step up to the plate. He said that the world had changed from 100 years ago, when decisions were made to use the automobile instead of the train as the primary mode of transportation in this country. He thought that was the paradigm shift that needed to be made, and the Board should not be afraid to pony up more money.

Ms. Hocken thought that Mr. Bennett's point was that, even though pollution may be a real issue, that might not be how the marketing campaign should go. Mr. Bennett stated that what LTD was doing in terms of service or education was not working, since only 4 percent of the work trips were on the bus. Mr. Viggiano added that another 4.5 percent of work trips

were made on bicycle, and another percentage by walking, according to the 1990 census. Ms. Hocken said she had heard that 45 percent of the people who worked in downtown Portland took public transportation, which was helped by the high cost of parking and the availability of light rail service. Mr. Kleger disagreed with Mr. Bennett, stating that LTD was involving a good deal more people in alternate modes than most other communities of the same size. He added that there was a correlation between community population and transit ridership; the lower the population, the less people used public transportation. He thought there had been some progress locally in getting people to think in terms of alternate modes.

Mr. Bennett said he had heard that in the last ten years, the number of people using public transportation, relative to the total population, was lower; more people were driving more miles in their cars than ten years ago. Mr. Viggiano said that was correct, for the country as a whole.

Mr. Bailey didn't want the Board to confuse his comment about a justification as a marketing technique. He agreed that as a marketing technique it did not work; people responded to other factors more readily than they did to a philosophical appeal. He suggested that "convenience" was a euphemism for cost, including the cost of time spent on the bus, actual costs, etc. To make the system work, it would have to be less costly for people to use the bus than to use a car.

Mr. Bennett wondered how LTD was going to be accountable, and what its objectives were going to be. He agreed with Mr. Engel that there should be an identifiable objective related to compact urban growth and land use, it should be a percentage of people who were doing something alternatively as opposed to getting in their cars every day. He said that LTD should try very hard to be accountable on that basis, and that should go to the Finance Committee, to come back with a recommendation. If not that, then he thought that Mr. Engel's position as the chair was: What is it that the District will be accountable for? Mr. Engel agreed.

Ms. Loobey stated that the land use connection would make a significant difference in the relative success of alternative transportation, and was part of the debate in the TransPlan Update process. What was known about trip making was that work trips were not growing; rather, trips for other reasons, incidental trips such as for day care, shopping, stopping at the cleaners, entertainment, going to children's sports events, etc., were growing and more diverse. This was partly due to trips where there was not compact urban growth, as well as the fact that there were many households with two adults working and making the incidental trips in separate cars. Ms. Loobey said that through the statewide planning goals for VMT reduction, there would be an expectation that public transportation would play a large role in contributing toward the reduction of VMTs with single-occupant vehicles, and that the land use configurations, philosophies, and design would change, which would be one of the things that would make alternative transportation work. She said that LTD needed to be there to help make that happen.

Ms. Loobey said that in some cities, such as Miami, millions of dollars had been spent on light rail, but the ridership did not happen because of suburban sprawl and people making trips over a large area. That type of problem could change through land use planning, by

bringing the kinds of businesses, schools, and other places people wanted within the neighborhood.

Mr. Bennett said that maybe one way to do this would be to define basic service differently for people who choose to live outside the cities. Mr. Kleger agreed, saying he thought the service levels should decrease the farther out they went from the core of the community. He said he would not be a proponent of encouraging urban sprawl.

Going back to the cost issue, Mr. Bennett said that if LTD could do something that would have a major impact on VMTs, such as somehow getting people to ride the bus two days a week out of a five-day work week, he would offer the system for free, because the community would save so much money. Mr. Montgomery said he would agree, but there would have to be the understanding that to do so would cost LTD, as an entity, money. He thought the Board should discuss certain money issues in the near future, such as the self-employment tax. He said he would be uncomfortable if LTD changed the way it examined routes or added or subtracted service substantially. He said that LTD was going to spend more money in ensuing years, and the Board needed to figure out how to deal with that.

Mr. Bennett agreed that the District was going to have to spend more money, although he had not seen all the alternative proposals, and thought the Board needed help to determine those. He asked if there was a way to make an educated judgment on possible results and the likely financial impact of doing certain things. If the District had to spend more money, it should be within the framework of having a defensible, well-thought-out plan, particularly on the marketing side.

Ms. Fitch said that there had been discussion at her TransPlan Land Use task force meetings about transit corridors. She represented Springfield on the Board, and the Thurston route was heavily used, along a major corridor. Since the Thurston area definitely was not compact urban growth or in a downtown area, but was a heavily-concentrated area using the bus along a transit corridor, she wondered how that would fit with the desire to encourage compact urban growth, and how service to this kind of area would be judged. Mr. Bennett said the urban core did not just mean downtown Eugene, and theoretically within the urban growth boundary, which had been defined for some years, without significant changes, the community should be encouraging people to live there, encouraging employment, and advocating for jobs and economic activity. He said he would not exclude the Thurston area, but he also did not know how the Springfield City Council felt about the bus in general; he had not heard a lot from them in terms of transportation issues, and did not know how much support they would have for a more aggressive posture with the bus.

Ms. Hocken said she had heard support for a lifeline or basic level of service, for providing service to attract people who currently used their automobiles, and for finding out what it would take in terms of marketing and operational criteria to get more people on the bus. She did not know what the TransPlan Transportation Demand Management (TDM) task force had been discussing in terms of encouraging people to ride. She wondered if LTD might need a marketing consultant to help design the kind of service being discussed.



Mr. Bennett asked if the Board would support, and try to develop, some sort of realistic VMT reduction goal. The City of Eugene had a modal split goal for a number of years, and no one paid attention to it, so he would like to develop one that the District could work toward and believe in. He asked if a reasonable way to proceed would be for the Finance Committee came up with some alternative budget scenarios based on reasonable VMT reduction goals. Mr. Engel said he was not sure the Board could saddle LTD with a VMT goal. He thought this would be difficult to measure District-wide, and VMTs were affected by so many other things. He thought that maybe it could be measured by how many riders were riding when they also had other transportation.

Ms. Hocken said maybe the Board wanted to set a percent of new riders. The goal was to get people out of their cars, and maybe in getting them on the bus, the assumption was that they were out of their cars for at least some of the trips. Maybe the goal needed to be stated not as a VMT reduction but as a ridership increase projection, or a split in the increase of people who move here new and have other ways of getting around.

Ms. Fitch said she had no problem with that as long as the Board was not talking about reducing basic service and affecting the overall operation of allowing people to ride the bus. She added that her definition of basic service was pretty close to Mr. Kleger's definition, and she thought the District was close to a reasonable goal at 85 percent of households in the metro area being within three or four blocks of a bus stop. She said the current level of service was close to a basic level of service. Mr. Engel asked if she wanted to preserve that level of basic service; in terms of the financial projections, the reserves should be there to guarantee the basic service in times of distress. Ms. Fitch said this was correct.

Ms. Hocken said she would go along with Mr. Kleger's definition of basic service to the extent that a minimum would be maintained if the District had to put more or less service in other places to reduce VMTs or based on the strategic plan or marketing plan. Mr. Kleger said he was comfortable with developing a plan to increase LTD's use as an alternate mode, as long as the District did not do away with the lifeline definition of basic service. Mr. Bailey concurred with Ms. Fitch and others in what had been said so far. He also said he would very much like to be able to establish a VMT goal, but agreed with Mr. Engel that it would be hard to tie to what degree LTD's service actually affected that number. He hoped that the Origin and Destination (O&D) survey could provide information on how to tie those two together. He was not ready to make the assumption that increased ridership necessarily meant that the region may benefit from reduced VMTs; he wanted to see some correlational information to help back that up.

Ms. Loobey stated that the state transportation rule did set VMT goals: maintain VMTs at current level for ten years; reduce by 10 percent in 20 years; and reduce by 20 percent in 30 years. Mr. Bennett thought those were rather long-term goals, and would like LTD's to be shorter, such as five years, or his tenure on the Board.

Mr. Bennett had to leave at 1:30 p.m.

**Self-employment Tax:** Mr. Engel explained that the Finance Committee had discussed a number of issues that needed Board attention, for reasons of timing and fairness. The

Committee did not answer questions about whether an increase in the payroll tax rate or implementation of the self-employment tax was needed, but if those decisions were put off too long, the District could miss the window of opportunity for implementing them. Therefore, the Committee wanted the Board to have this discussion. If the Board determined that the self-employment tax should be implemented, the Board should direct the staff to develop a plan for implementation, based on certain reasons. Mr. Engel explained that the Finance Committee had thought that the self-employed should be paying the payroll tax.

Ms. Hocken commented that there were bureaucratic problems with implementing the self-employment tax, such as time to develop forms, etc., so a long time line was needed before the District would actually receive any money. Finance Administrator Tamara Weaver stated that, during the last three years, the Board had discussed the need to implement the self-employment tax in the future, and the tax had been included as a revenue source in FY 96-97 of the Long-Range Financial Plan included in the FY 93-94 budget document. If the Board decided not to implement the Long-Range Financial Plan, she said, those revenues would have to be taken out of the FY 96-97 budget, which would have serious financial consequences for LTD.

**MOTION** Ms. Fitch moved that the Board direct staff to develop a plan for implementation of the self-employment tax effective on or before January 1, 1995, and look into including those businesses and occupations that currently were excluded from paying a self-employment tax. Mr. Bailey seconded the motion. Ms. Hocken explained that the Oregon Department of Revenue's interpretation was that insurance agents were exempt from the LTD payroll tax. Mr. Engel asked if directing the staff to develop a plan meant that the staff would bring the plan back to the Board for approval. Ms. Hocken said it did; the tax would have to be adopted by ordinance.

Mr. Montgomery said he thought this was a good thing for LTD. He wanted to point out that in addition to the revenues being included in the Long-Range Financial Plan, it was his opinion that the Board needed to take care of this issue now, because if Measure 5 passed, he was certain that LTD would not have the opportunity to implement a self-employment tax later. He suggested that if the Board enacted this tax now and found it did not need the money after all, it could find a mechanism to return the money to the taxpayers. Mr. Kleger agreed that it was critical to take care of this issue now.

Ms. Hocken said it was important to stress that the self-employment tax had been in the Long-Range Financial Plan discussed by the Board for many years, and that it would take a long time to accomplish, so the Board would be looking at this issue now even without the threat of Measure 5.

**VOTE** There was no further discussion, and the motion carried by unanimous vote.

**Payroll Tax Rate Increase:** Mr. Engel explained that the maximum rate for the LTD payroll tax was .006 (.6 percent) of gross payroll; currently, the rate was set at .0056. The current rate had been decided upon by a previous Board as the maximum taxing level that would leave the District with a cushion for times when it would need more money. The previous Board also had built some reserves to get the District through difficult economic

times. Mr. Engel said that some on the current Finance Committee, including himself, thought that the times when LTD would need to raise the tax rate would be times when the local community also would be under financial distress and could least afford it, and employment at those times might be so low that the District might not raise the additional revenue it would need, anyway. Therefore, some on the Finance Committee were saying that since LTD had a mandate from the community to provide certain transit service, and had said that LTD could use up to .006 tax dollars to fulfill that rate, which meant that LTD also could set a much lower rate and not provide the community with very much bus service. He said he felt the District had a mandate to provide services and should be raising the rate to .6 percent now, and in order to get through bad times, the District should be calculating the reserves either more aggressively or differently. It would take some time to implement the increase in the payroll tax, so revenues would not be received right away. Mr. Engel said he would like feedback from the Board members regarding whether the payroll tax should be increased for these reasons, and if so, to what level it should be increased.

Ms. Fitch said the Board had this discussion a couple of years ago when it first started discussing Goal 12 and how to even make a dent in meeting the requirements. She said she could live with a rate of .006 if the increase was tied to VMT reduction and that was marketed to the public as a benefit for the welfare of the whole public (decrease in congestion, more availability of parking spaces for those who did drive, etc.). She said she could not justify adding labor costs unless the service was for reducing VMTs; she would not recommend additional routes for hikers to go up the McKenzie, for example.

Mr. Engel said he liked the idea of financing basic service from part of the payroll tax revenues and using the difference between that and .6 percent to fulfill the mandates of reducing VMTs or additional roles that the Board might approve.

Mr. Kleger stated that for a long time the people who had been complaining about the payroll tax had been conscious that it was not as high as it could have been. He felt that had been particularly useful for the District, and said he would hate to give that up without getting something valuable from the increase. He thought that the number of complaints would increase when the rate reached .006. Mr. Kleger said he liked Ms. Fitch's idea; it was the first idea he had heard that would justify increasing the rate, other than a financial crisis.

Mr. Engel asked if those complaining were doing so because they could not vote, or because they felt they were not getting value for their money. Mr. Kleger said the complaints seemed more of a general nature, but the fact that the rate was below the maximum reduced the complaining somewhat. He repeated that he liked Ms. Fitch's idea, and said his reluctance to increase the rate was somewhat reduced.

Mr. Bailey said he had no objections to increasing the rate, and that there was a certain elegance to the idea that it was better to put money aside for hard times when that was possible rather than when the community couldn't afford it. He also liked the idea of using the difference to work toward the state goals.

Mr. Montgomery said that Ms. Fitch had expressed the idea very well, and that was basically the discussion he and Mr. Bennett had at the Finance Committee meeting. He said

he had been on the Board long enough to understand the rationale for keeping the payroll tax below the maximum, and he was not a tax raiser at heart, but he thought that both approaches made sense. He stated that he did not want to see LTD faced with not being able to obtain the tax money if it needed it, and he thought not enough people in the community would understand enough about what was going on with transportation issues to vote for the tax if LTD needed the money. He said he thought LTD should increase the rate now.

Ms. Hocken commented that the first scenario in the Long-Range Financial Plan included only a 2.5 percent service increase, but the District would need more than that for VMT reduction. The last three pages of the Long-Range Financial Plan used a scenario showing a higher service level and a tax rate of .006. Ms. Weaver stated that the first three years of the Long-Range Financial Plan were the most important, because the fourth and fifth years were more uncertain. She said that the LRFP did show using the increase to .006 to bolster the reserves, according to the Finance Committee's initial direction.

Ms. Fitch asked if staff could tell the Board what percent of service increases would be for basic service, and what would be over and above that. Mr. Viggiano replied that the District had needed to add between 1 percent and 1.5 percent each year to deal with increased congestion, etc., just to maintain service. The rest of any higher service increase would be for added service.

Ms. Hocken asked if it was staff's intention to present the budget using the .6 percent rate for FY 94-95. Ms. Weaver replied that the budget had been prepared based on the .56 percent rate. If that budget were used, the Board could choose to increase the rate later in the year, and would need to amend the budget at that time. If a rate increase was implemented on January 1, 1995, the District would receive the increased tax revenues for one quarter in FY 94-95. The rate also could be increased as of October 1, 1994, although taxpayers already had their tax forms for the year.

Mr. Engel said it had been helpful to hear this feedback, and that the Finance Committee would take this input and come back to the Board with a budget that fit into the Long-Range Financial Plan. Knowing that the Finance Committee would have to make some firm decisions about assumptions that the Board did not make, he wanted to let the Board know that the Finance Committee would report back to the Board and was not usurping the Board's prerogative to make those decisions.


Ms. Fitch said she would prefer to present the budget with the rate set at .006, and discuss it from the first, rather than bring a Finance Committee recommendation into the middle of the budget process. She thought the increased collections for one quarter also should be shown in the budget. Mr. Kieger agreed that this was a good way to start. Ms. Hocken thought there also should be some discussion of implementing the self-employment tax as part of the budget discussions. Ms. Weaver told the Board that budget production and publication were imminent, and if the Board wanted to increase service or make other adjustments based on the increased revenue, that might have to be done at the June meeting, after the budget had been approved by the Budget Committee.

**Operating Reserves:** Ms. Loobey stated that the District's reserves were needed to maintain a basic level of service for a short while in an economic downturn, and \$4 million was not a large amount for this purpose. The District would downsize as it needed, in order to protect the basic level of service over time.

Mr. Engel said that the Finance Committee had discussed the fact that the level of operating reserves currently was set at a certain percentage of the operating budget. The payroll tax amounted to about 80 percent of revenues, and that and the fuel costs were the largest unknowns in the budget. He suggested that perhaps instead of keeping reserves at a set percentage of the operating budget, the District might set reserves at a level that would get the District through some expected volatility in expenses and revenues. He said this would not be for an enormous volatility or an abnormal economy, such as the recession of the 1980s, which was not part of the normal business cycle. He suggested that the Board could ask Ms. Weaver, if the payroll taxes fluctuated within a normal range, to suggest a normal range of error in the projections for the payroll tax, and to say what would happen to revenues if the District experienced a fluctuation at the extreme of the normal error. He said that maybe that was what the District should fund operating reserves for. It could be more or less than the current level, but it would be a different way of setting reserves. Ms. Hocken asked if Mr. Engel would change the way reserves were set for self-insurance. Mr. Engel said he was talking only about operating reserves. Mr. Montgomery said this method could show the District if the percentage was a reasonable method, and the reserves could then still be set as a percentage of budget.

Ms. Weaver said that if the Board directed a philosophy that was, as an example, at the more conservative extreme of keeping the reserves really low, and assuming the District would react as quickly as it could to the changes in the cycle, that also would mean that the District would be reducing service as quickly as it could. She said the Board would need to tell staff what level of risk it would be willing to bear, and that risk would define how quickly LTD would react: whether it would cut service, or other scenarios.

**ADJOURNMENT:** Mr. Engel thanked the Board on behalf of the Finance Committee. There was no further discussion, and the meeting was adjourned at 1:55 p.m.



Board Secretary