MINUTES OF BUDGET COMMITTEE MEETING

LANE TRANSIT DISTRICT

Wednesday, April 25, 2001

Pursuant to notice given to *The Register-Guard* for publication on April 8, 2001, and April 19, 2001, and distributed to persons on the mailing list of the District, a meeting of the Budget Committee of the Lane Transit District (LTD) was held on Wednesday, April 25, 2001, at 6:30 p.m., in the LTD Board Room at 3500 East 17th Avenue, Eugene.

Members:

Board Members	Appointed Members
Gerry Gaydos	Michael Bean
Dave Kleger	Gino Grimaldi
Pat Hocken	Pamela Papp
Robert Melnick	George Rode
Hillary Wylie	
Virginia Lauritsen	

Staff
Ken Hamm, General Manager
Mark Pangborn, Assistant General Manager
Diane Hellekson, Budget Officer
Chris Thrasher, Recording Secretary

Absent: Rob Bennett, LTD Board
Betsy Boyd, Appointed Member
Russ Brink, Appointed Member
Elaine Guard, Appointed Member

CALL TO ORDER AND ROLL CALL: Board President Hillary Wylie called the meeting to order at 6:36 p.m. Mr. Hamm called the roll.

COMMITTEE AND STAFF INTRODUCTIONS: No introductions were made as Committee members all knew each other.

ELECTION OF OFFICERS: Mr. Kleger nominated Mr. Rode for the position of Committee Chair. Ms. Hocken seconded the nomination. There was no further discussion nor nomination. A vote was taken by acclamation, and Mr. Rode unanimously was elected to chair the Committee.

NOMINATION ELECTION

Mr. Bean nominated Ms. Papp for the position of Committee Secretary. Ms. Hocken seconded the nomination, and Ms. Papp was elected Committee Secretary unanimously by acclamation.

NOMINATION ELECTION

PUBLIC COMMENT: There were no members of the audience who wished to address the Committee.

MOTION
VOTE

APPROVAL OF MINUTES: Ms. Hocken moved the approval of the April 26, 2000, and April 27, 2000, minutes of the Budget Committee. Mr. Kleger seconded the motion, which passed unanimously by acclamation.

WELCOME AND OVERVIEW: Mr. Hamm welcomed the Committee and thanked everyone, including staff, for their commitment to LTD and the communities LTD serves. The budget is the fiscal reality of what LTD hopes to accomplish next year as part of a six-year plan. Because the world we live in changes so rapidly, the reality is that the first two to three years of the plan are accurate and after that it begins to blur. That means that LTD's plans have to be ever evolving and the LTD team has to be alert and flexible.

Over the next two days, staff would engage the Committee in a philosophical discussion about where LTD is and where it is going. The budget discussions should focus on the District's priorities and the plan to move forward. Discussions would include an assessment of potential opportunities and land mines, and how LTD can position itself to respond successfully.

Mr. Hamm noted that the budget process would be different from previous efforts. Staff believed that a new, strategic approach would be beneficial to all. Department budgets would not be presented in micro detail but the information would be available if requested. He encouraged the Committee to ask questions, share perspectives, and thoroughly dialogue about any part of the plan and budget.

Mr. Hamm believed that the 2001-2002 budget was unique. The economy had slowed, which means that revenues were not increasing at the same rate as in the past. Additionally, expenses were growing. These factors created challenges and opportunities for Team LTD. Staff had worked extremely hard to develop new efficiencies while remaining focused on higher performance plateaus and project progress. He believed that LTD would continue to improve in the future in the areas of efficiency and effectiveness.

PRESENTATION FORMAT AND LOGISTICS: Ms. Hellekson welcomed the Committee members and said that she appreciated their attendance. She noted that the set of pages on the table in front of them should be placed in the budget notebooks that were delivered to each member. The top page was a replacement page for pages 19 and 20; the other two pages were handouts that should be placed in the General Information section as additional reference material.

Ms. Hellekson stated that staff would not be following the notebook during the presentation and encouraged the Committee members to review the notebook if they had not done so already. The budget presentation would be structured by first giving the budget numbers, then working into the strategic activities that generate those costs, and concluding with another review of those numbers. Also, not all department managers would be giving presentations as in the past but would be available if there were questions.

Ms. Hellekson reviewed the general logistics for the meeting, which included asking questions, meeting times, refreshments, and an emergency phone number. It also included a review of the budget meeting goals, review process, and presentation format.

BUDGET PRESENTATION

Budget Overview. Ms. Hellekson said that there were two budget themes for FY 2000-01. One was to improve productivity of current services and increase market share; the other was to ensure success of the system in the future through implementation of bus rapid transit (BRT).

Ms. Hellekson reminded the Committee that LTD has three funds: General Fund (also known as the operating fund), Special Transportation Fund, and Capital Fund. She noted that in all the tables in the PowerPoint presentation, "actual" was compared to "estimated" and "budget" was compared to "proposed."

In reviewing the General Fund resources summary, the estimated total resources revenues showed a 4.8 percent increase over the previous year but in actuality there would be a 4.6 percent reduction. This was due to the fact that a large portion of the Beginning Working Capital balance had been transferred to the Capital Fund.

Ms. Hellekson stated that Passenger Fare revenues, particularly cash fares, had been flat or declining. Due to the reduction in the price of the Youth Pass by half, more youth were riding for less. Also, the LCC Term Pass program had been successful, which meant adults who had been paying full price were now paying less. If it were not for the success of the Group Pass Program, LTD would be looking at an actual decline in total Passenger Fare revenue. The goal to increase market share had been met, but staff were working to decrease the amount of local support for fare revenue.

Interest was deliberately under budgeted this year to use as a hedge against a slowing economy and realized almost $400,000 more this year in earnings.

Payroll Tax Revenue may not make budget this year, which is a major indication that something had changed in the economy. Therefore, the proposed amount for next year was very conservative. Self-employment Taxes had been fairly steady; however, LTD was hit with a major, one-time administrative charge in the current fiscal year.

In response to a question from Mr. Grimaldi, Ms. Hellekson replied that at least $3 million was needed from Working Capital for cash flow purposes.

On the obligation side, Ms. Hellekson hoped that the total would not exceed the expected revenues. Personnel Services was the largest single expense that was incurred. Materials and Services had increased due to fuel and utility costs. Insurance and Risk Services decreased as different service providers were put in place and in-house safety programs were implemented. However, staff predicts an increase in this area as a cost of doing business, which cannot be controlled.

In the Capital Fund, $4.2 million was transferred to capital reserves from the General Fund. An additional $3 million had been budgeted as a transfer to current projects. That amount was reduced to under $1.4 million in order to implement the three-year turnaround plan.

Ms. Hellekson showed in a pie chart a breakdown of the proposed General Fund revenues: Taxes, 69 percent; Passenger Fares, 16 percent; Other Governmental Aid, 6 percent; Interest, 6 percent; and Other Operating, 3 percent. She noted that Taxes and Passenger Fares were lower than last year.

For General Fund expense appropriations, 66 percent was Personnel Services, which was 1 percent lower than last year; Materials and Services, which showed an increase to 18 percent; Capital at 11 percent; Special Transportation at 3 percent; and Insurance and Risk at 2 percent.

Ms. Hellekson stated that departments were recently reorganized into performance groups. A pie chart showed that Transportation Services made up 84 percent; Development Services made up 9 percent; Administrative Services made up 5 percent; and General Management made up 2 percent.

Mr. Melnick asked if general trends had changed over the last 10 to 15 years. Ms. Hellekson stated that there had not been a substantial change except in one regard, which would be discussed later.

Personnel allocation was shown in a pie chart as Transit Operations at 67 percent, Fleet Services at 14 percent, Development Services at 9 percent, Administrative Services at 5 percent, Guest Services Center at 3 percent, and General Management at 2 percent.

Materials and Services appropriations by performance group showed Transportation Services at 54 percent, Development Services (consultants, training) at 24 percent, Administrative Services (service contracts for software, etc.) at 17 percent, and General Management (Board expenses, including travel and training; APTA membership; lobbying expenses) at 5 percent. A further breakdown of Materials and Services appropriations by major departments showed Fleet Services (fuel) at 46 percent, Transit Operations (training, consultants, uniforms) at 7 percent, Marketing (advertising, print media) at 9 percent, Facilities Services at 11 percent, Other Departments at 18 percent, and Insurance at 9 percent.

Ms. Hellekson stated that Special Transportation is the second of the three LTD budget funds. LTD has seen an increase in the contribution from the General Fund to support Special Transportation services. Although slight increases were seen since FY 1998-99, the proposed amount for FY 2001-02 showed a significant increase, which was due to the demand and length of trips increasing, and productivity decreasing.

Ms. Hocken asked about the $119,000 carryover from Lane Council of Governments (LCOG). Ms. Parker stated that it was an amount LCOG had budgeted for, not expecting that the State would allocate the funds.

Ms. Hellekson reviewed the history of Capital Fund expenditures. Funds needed to be appropriated even if they are not spent in the same year as the appropriation. Bus rapid transit and new bus purchases fell into this category. She noted that $32 million in expenses were appropriated, which was a large increase from last year. Appropriations for future expenses would be lower.

Reserves were an important side of the Capital Fund budget and had been set aside for years. The $32 million obligation funds plus $14 million reserves funds made up the entire $46 million resource budget. A replacement page would be distributed to show a change in the proposed Capital Fund budget. As shown on a line graph, there was a huge leap in expenditures. LTD would be increasing the amount spent on capital this year as the capital project list was very aggressive and expensive. BRT and bus purchases would require outlays of substantial funds.

Ms. Wylie asked when the cost of the new shuttle would appear in the capital budget. Ms. Hellekson replied that although funds were budgeted for bus delivery this fiscal year, it could be next fiscal year before federal grant funds were drawn down. She stated that LTD could not legally recognize an expense until goods or services were delivered.

In taking a closer look at revenues, Group Pass Revenues have shown a gradual build that had leveled off. Passenger Fares also had leveled off. Farebox Recovery showed a decline from the 20 percent goal. This number reflected operating revenue divided by operating expense. Staff was working to get operating expenses under control. Growth in the Payroll Tax Revenue had been substantial but was leveling off in part due to state job growth slowing down and HMT closing.

Ms. Hellekson stated that staff tried to be conservative with revenue projections, using the local economic forecast, for a 1 percent growth. If the economy showed more promise, LTD could start looking at a two-year turnaround instead of a three-year turnaround.

Changes from last year in the proposed budget included the following:

- An increase in staffing of five new bus operators and 1.4 FTE for the Special Transportation Program. Ms. Hellekson noted that the demands on the current staff were increasing. Need to look hard at efficiencies and productivity. Mr. Hamm stated that LTD, in years past, had contracted with LCOG for services performed by the Special Transportation Program so there was basically no net impact.
- An annual wage increase of 2 percent semi-annually associated with the new Amalgamated Transit Union contract
- A 4 percent cost of living adjustment for administrative employees
- A 20 percent increase in insurance benefits. Human Resource Manager Dave Dickman believed that LTD would be able to meet or beat the 20 percent increase in insurance benefits. Mr. Grimaldi stated that other organizations were looking at increases as high as 47 percent.
- An increase in the fuel budget to $1.09 per gallon from 80 cents per gallon last year.
- A 15 percent increase in utility costs included in the current year estimates and a 20 percent increase included in the proposed budget. Utility expenses were not as large as for other organizations. Expecting an overall increase of almost 29 percent.

Major Capital projects included fleet replacement at $10 million, BRT at $11 million, and Springfield Station at $5.8 million.

In response to a question from Mr. Kleger, Ms. Hellekson stated that BRT vehicles were included in the fleet replacement line item.

Mr. Grimaldi asked what it cost annually to retire the $10 million debt. Ms. Hellekson believed it was $1.1 million. A more in-depth discussion would be forthcoming. In response to another question from Mr. Grimaldi, Ms. Hellekson stated that debt retirement was worked into the long-range plan. Ms. James stated that there was no amount for debt service in next year's budget because it was assumed that they would be sold next fiscal year and the first debt payment would not be made until the following year.

(Ms. Lauritsen arrived at the meeting.)

Five-year projections for General Fund Revenues showed $25 million in the current year to just under $27 million in Year 5 of the plan, which was very slow growth. General Fund requirements showed that personnel was expected to increase substantially. At the conclusion of the four-year contract, there was an assumption that the growth of personnel services would reduce to a modest amount with additional efficiencies and cost-reduction measures. Materials and Services showed the standard inflation factor. Insurance was expected to start growing as mentioned earlier. LTD expected to pay more every year for Special Transportation services.

In regards to five-year projections for General Fund Requirements, Ms. Papp asked if the funding on Special Transportation services had just disappeared. Ms. Parker stated that the funds came from cigarette tax revenues, which were declining. As that revenue declines, the contribution from LTD increases along with the increase for demand.

In response to a question from Ms. Lauritsen, Ms. Hellekson clarified that the Insurance line item included liability insurance and workers' compensation but health insurance was included in Personnel Services. Mr. Dickman stated that $301,000 was budgeted for workers' compensation. Other insurance was budgeted at $240,000, which included liability, auto collision, professional liability, fidelity bonding, and claims costs. Ms. Hellekson noted that LTD is self-insured for the first $100,000. Mr. Dickman stated that medical insurance was approximately $1.9 million to $2 million this year.

In response to a question from Ms. Wylie, Mr. Dickman stated that the percentage for benefits was approximately 33 percent. Ms. Hellekson referred the Committee to the General Information section in the budget notebook for a breakdown.

The five-year projections for the General Fund Summary showed that transfers from the General Fund to the Capital Fund would cease after this year because of demands on operations. Reserves would be reduced by almost $2.4 million.

In response to a question from Mr. Grimaldi, Ms. Hellekson stated that there were several options for paying off bonds, with the most attractive being 5307 grant funds, assuming reauthorization of TEA-21. Federal funds could be pledged to retire debt.

In regards to five-year projections for Capital Fund Resources, Ms. Hellekson stated that LTD would be changing categories because of population growth. Therefore, she expected to see an increase in federal formula grants. These funds would give more local control and tie some funds to the number of passenger miles driven, which should increase our allocation to $1 million or more. She stated that discretionary funds were obtained by appeal and were allocated under 5309 grant funds. LTD had not been very successful in obtaining these earmarked funds since Senator Hatfield retired but did receive $1 million with the last request to spend on new shuttle buses. Staff hoped that the most recent appeal for $4 million on behalf of the Springfield Station project would be successful.

Ms. Hellekson stated that proceeds from bond sales would be used to purchase buses, noting that buses lend themselves well to debt financing. Formula funds could be pledged to retire debt. Another income stream could also be pledged as long as the payroll tax remained in effect as the single source of revenue. The source of the funds contributed to a lower interest rate.

Five-year projections for Capital Fund Requirements included revenue rolling stock for buses. Included in this category was bus rapid transit, Springfield Station, and other smaller projects.

In regards to five-year projections for Capital Fund Summary, Ms. Hellekson noted that $200,000 would be spent this year to set up debt financing and another $200,000 next year to complete set up. Then payments would be made based on assumption stock. Assuming $1.1 million to $1.2 million in the first year, by the end of the five-year program, LTD would be I paying $3 million a year, which was less than the formula funds available to retire the debt.

Five-year projections for Reserves Summary showed resulting ending Working Capital for the General Fund and the Capital Fund.

Ms. Hellekson, in completion of the budget overview, asked Mr. Hamm to talk about what had been happening at LTD. Mr. Hamm stated that he had completed his first year at LTD. He believed that people were the biggest asset of an organization, so Team LTD was created. It was important to understand the worth of every person that makes up Team LTD, including Board members, employees, advisory committee members, and citizen volunteers. He believed that LTD must recruit the best; give first-class training; invest in quality tools; support team members; involve team members in plans; and recognize, reinforce, and reward team members. Those commitments to quality were reflected in the programs of the budget. The team spirit started with the union contract but had carried through in a number of other activities, e.g., quarterly team meetings and committees.

Next, a new vision and mission statement were developed that were approved by the Board. A set of core values and guiding principles that team members could model their behavior around were created. Outcomes defined how Team LTD would know success.

Mr. Hamm referred to a third part that consisted of implementing policy and structure that facilitated success. Staff reviewed and revised many of the internal policies of the organization through a committee process and employee forum. Structure was about establishing the correct relational sets in the organization. Team LTD has three organizational dynamics that facilitated involvement, innovation, and progress:

- Advisory Committees—these committees assure effective and efficient stewardship of public resources (e.g., Board of Directors, BRT Advisory Committee, Special Transportation Fund Advisory Committee, Budget Committee, internal employee committee, and public forums/hearings)
- Employee Councils—for the represented and non-represented employees, and the manager's
- Performance Teams

Mr. Hamm referred to a chart showing the new organizational structure of four performance groups that share common focuses:

- Administrative Services—Finance, Information Services, and Human Resources
- Development Services—Planning & Development, Service Planning (including Commuter Solutions), Marketing, and Facilities Services
- Transportation Services—Transit Operations (including Security and Guest Services) and Fleet Services
- General Management Group—organizational administration; policy development; federal, state, and local agenda; capital funding securement; short- and long-range service and financial plans; and intergovernmental and community partnerships

Mr. Hamm stated that this new structure had facilitated collaborative strategies, new ideas, teamwork, and better outcomes. Everyone was energized around the new challenges: how to be more efficient and effective, how to be more prudent as stewards of public funds, and how to develop innovative solutions.

Team LTD was focusing on a toolbox approach to serve the communities. The toolbox approach diagnoses the need and provides the best tool to serve that need, e.g., fixed-route service, bus rapid transit, shuttle service, special event services, Commuter Solutions, and the Group Pass program.

Andy Vobora, Service Planning Manager, gave an overview on ways LTD could provide services that would more effectively meet the needs of the community and how LTD could use its resources to more efficiently meet the needs of current and future guests. He stated that ridership had increased by restructuring pricing of fare instruments. Ridership productivity also had increased over last year.

With the comprehensive redesign of the bus system, all but five routes would change. Some neighborhoods would gain service while other neighborhoods would lose service because of reduced productivity, and there would be cross-town connections. Goals for the redesign included fixing operational issues, increasing system productivity, and meeting the Board's service hours distribution of productivity-based service at 75 percent, coverage at 20 percent, and discretionary service at 5 percent (new shuttle).

LTD's goal was to increase ridership by 6 percent; improve scheduling efficiency to 87 percent by decreasing deadheads, layovers, and report and sign-in time; and maintain run-cutting efficiency above 96 percent by reducing free time, split pay, travel pay, and overtime. Mr. Vobora noted that bus operator report time had increased from 10 minutes to 15 minutes through the last contract negotiation.

In response to a question from Ms. Papp, Mr. Dickman stated that any hours worked over 8 hours in a day and 40 hours in a week was overtime.

In regards to special event services, Mr. Vobora stated that football and basket service had increased. Challenges included event size, changes in operating environment, operator restrictions, and fleet capacity. Special service created community competitiveness, e.g., events act as economic generators; provided exposure for those who are not regular bus riders; and required teamwork.

The Commuter Solutions program is a regional Transportation Demand Management program funded through the State. It is an employer- and school-based program and is custom applications such as vanpools. Challenges of the program included state funding reductions and lack of staffing to meet the strategic plan objectives. Organizations have a growing interest in the program that provide a broad range of options. Over 31,000 people participate in the Group Pass program.

(The Committee took a seven-minute break at 8:20 p.m.)

Mark Johnson, Transit Operations Manager, gave an overview on operations and guest services noting that 70 percent of the budget was required to put service on the street. Operation of the system included nearly 240 employees operating over 20 hours a day in various locations. The basic goal for the Transit Operations department was to provide safe, reliable, and courteous transportation services to LTD guests. Functional areas included guest services, field operations, security, dispatch and scheduling, supervision, station management, and training.

The goals for the next fiscal year included reducing accidents, improving guest satisfaction, reducing guest complaints, improving efficiency by decreasing overtime by 50 percent and decreasing stand and mark-off by 10 percent, and maximizing utilization of technological improvements.

In response to a question from Ms. Lauritsen, Mr. Johnson stated that the average of 11 accidents per month included all occurrences. Out of 136 accidents, 52 were determined preventable and approximately 78 were caused by other people. A preventable accident is any accident where the bus operator did not do everything possible to prevent the accident. Ms. Lauritsen asked how many accidents were serious. Mr. Dickman replied three to five. In the last year, LTD paid out $35,000 for accidents to a third party, which was good for the number of road hours.

Mr. Kleger asked about the passenger accident pattern. Mr. Dickman stated that riders are injured when buses stop suddenly or when buses were hit by another vehicle. Out of 6 million rides a year, there were approximately 30 claims by passengers. Mr. Melnick recommended that staff show a breakdown next year.

Terry Parker, Special Transportation Program Administrator, gave an overview of the Special Transportation Program. Major funding resources came from the Special Transportation Fund through a 2 percent cigarette tax for elderly and disabled; LTD General Fund, which supports RideSource service that meets the Americans with Disabilities Act (ADA) requirements for complementary paratransit service; and Department of Human Services (DHS), which contracts for services to DHS clientele.

LTD has contributed to service outside the LTD service area as well as inside the service area. Services included RideSource, operated by Special Mobility Services; South Lane Wheels in Cottage Grove, Creswell, Dorena, Lorane, and Culp Creek; Transit Training and Transit Host Program, operated by Alternative Work Concepts; White Bird Clinic; MidCoast Enterprises in Florence; service in Oakridge; Rhody Express in Florence, operated by River Cities Taxi; and the Senior & Disabled Services Medical Escort.

In response to a question from Mr. Rode, Ms. Parker stated that people in Florence were served locally and not transported to the Eugene/Springfield area.

Special Transportation Fund resources had shown a steady climb over the years through cigarette tax revenue, contracts, and money allocated by the legislature. For the RideSource program, income from fares stayed flat. Other resources had increased from $89,000 in 1999 to $226,000 a year later due to funding through the Mental Health Division. In the Special Transportation Fund, funding went from $300,000 to $483,000 due to the legislative effort spearheaded by Linda Lynch, Government Relations Manager. Total costs continued to grow. Cost per RideSource ride averaged $17.76. A consultant hired to look at cost per ride found RideSource to be in the middle range. Ms. Parker noted that a third of the ridership was wheelchair rides, which was unusually low for a paratransit system. This was due to the fact that LTD does such a good job with fixed-route accessible service.

Mr. Hamm stated that RideSource is a more personal service mandated by the state. Keeping the costs down is a challenge.

Although service in the Eugene/Springfield area is dense, adding service to the newly developed areas had increased miles driven by 5 percent. The RideSource goal was to improve productivity by increasing the number of trips per hour, per vehicle. Currently, the average trip per hour was 2.19. Prior to ADA, the average trip per hour was closer to 3.5.

In terms of demand management, LTD was looking at ways to modify trip patterns, reduce trip demand, and create fare incentives or disincentives.

Mr. Kleger stated that the Special Transportation Fund Advisory Committee is made up of customers, service providers in the Human Services Program, volunteers, and agency personnel, and it is one of the most effective advisory bodies.

Mr. Hamm ended by asking the Committee if they needed anything for the following night's presentation.

Mr. Melnick was impressed by the increase in ridership. He would like those numbers shown in relation to growth and population. Ms. Hellekson stated that information could be found on page 11 in the General Information section of the budget notebook.

MOTION
VOTE

ADJOURNMENT: Mr. Rode moved that the meeting be adjourned to 6:30 p.m., on Thursday, April 26, 2000, in the LTD Board room. Mr. Gaydos seconded the motion, which passed unanimously by acclamation.

Don Gaydos
Committee Secretary