

MINUTES OF FINANCE COMMITTEE MEETING
LANE TRANSIT DISTRICT BOARD OF DIRECTORS

November 6, 2001

Pursuant to notice given to *The Register-Guard* for publication on November 2, 2001, a meeting of the Lane Transit District Board of Directors Finance Committee was held at 4:00 p.m. on November 6, 2001, at Lane Transit District, 3500 E. 17th Avenue, Eugene.

Present: Gerry Gaydos, LTD Board Member
Pat Hocken, LTD Board Member
Virginia Lauritsen, LTD Board Member

I. CALL TO ORDER

Ms. Hocken called the meeting to order at 4:10 p.m.

II. ROLL CALL

Also present were: Ken Hamm, General Manager; Mark Pangborn, Assistant General Manager; Diane Hellekson, Finance Manager; Carol James, Accounting Supervisor; Stefano Viggiano, Planning & Development Manager; Linda Lynch, Government Relations Manager, Steve Parrott, IS Manager.

III. APPROVAL OF MINUTES

Mr. Gaydos moved, seconded by Ms. Hocken, to approve the minutes of the September 26, 2001, meeting of the LTD Board of Directors Finance Committee. The motion passed unanimously.

IV. SEPTEMBER FINANCIAL REPORT

Ms. Hellekson stated that the September Financial Report was included in this meeting's agenda packet and that the October Financial Report would be available at the October Board meeting.

Ms. Hellekson referred the Committee to the Operating Financial Report on page 10 of the agenda packet. Although anticipated, LTD has not seen evidence of an economic downturn as reflected in unemployment rates in the community and layoff notices by major, local corporations. First quarter receipts are still outstanding; however, the Department of Revenue has been aggressively collecting past due amounts from prior years. The report on page 10 showed slow growth in passenger fares, which could be due to fare increases. A major source of concern was that personnel services were growing at a high rate, an 11 percent increase over last year. Revenues are not keeping up.

Materials & Services expenses did not show any major flags. Ms. Hellekson noted that LTD was not in a crisis but staff were planning ahead.

Ms. James distributed copies of the General Fund Schedule of Revenue, Expenditures and Changes in Fund Balance - Accrual Basis report. This was an alternative to the report on page 15 of the agenda packet, which was developed using the modified accrual basis. Statements were formatted differently for ease in identification. The difference between the statements was that the accrual basis reported revenues for payroll tax and self-employment tax as estimates. Ms. James noted that there was not enough information to build on no-growth trends for the accrual basis report.

In response to a question from Ms. Hocken, Ms. Hellekson stated that the Payroll Tax line item would be labeled "cash basis" on both reports. Ms. Hocken noted that the two reports were not that different in terms of revenue.

Ms. Hellekson stated that staff's preference was to continue reporting using the modified accrual basis and restate at year end to meet all GASB requirements.

Ms. Hocken preferred seeing both reports. She believed it made sense to use cash basis expenditures in both statements.

Ms. Hellekson referred the Committee to the performance report for September (page 18 of the agenda packet). She noted that person trips and lift rides were down from a year ago, which may be due to the implementation of the Comprehensive Service Redesign (CSR).

V. FINANCIAL PLANNING

Ms. Hellekson distributed a handout listing steps for a proposed financial planning process:

1. Balance General Fund
 - a. Eliminate discretionary materials & services
 - b. Improve service and operator scheduling efficiency
 - c. Eliminate positions with discretionary responsibilities
 - d. Cut lower productivity service
2. Prioritize Capital Improvement Projects
 - a. Confirm components and timing of BRT phases
 - b. Identify necessities and non-necessities
 - c. Approve appropriate timelines for all projects
3. Identify Funding Requirements
 - a. Identify capital funding gaps
 - b. Consider funding alternatives
 - c. Determine long-term general fund contribution to capital requirement (if any)
 - d. Explore short- and long-term operating revenue opportunities

Ms. Hellekson stated that although there are three funds, the long-range planning focused on the Operating Fund and the Capital Fund. The Special Transportation Fund was driven by need and by ADA requirements.

Step 1: Balance General Fund

Ms. Hellekson distributed a handout showing the five-year projections of the General Fund with assumptions: a flat payroll tax, modest growth in other revenues, and flattening out growth in personnel services. It also assumed a delay in transferring \$3 million in capital as was scheduled for this year, which Ms. Hellekson believed could be done without major consequences. Board policy states that we need a minimum of \$3 million in reserves. It does not assume, however, a reduction in personnel or service. The projection for this year was \$24.5 million in total revenue and \$25.4 million in expenses. The General Fund is not self-supporting under this scenario. Mr. Hamm's course of action is to build as much into this year recognizing that there is no crisis.

Looking at the handout, Ms. Hellekson pointed out that at the end of year three the resulting ending working capital (combined) showed a negative balance of over \$11 million. That assumed 50 percent financing of Phase 2 BRT. Those funds have not been identified yet. Ms. Hellekson also stated that the five-year plan assumed \$102 million in capital expenditures, which is very aggressive. Funding has yet to be determined.

Ms. Hellekson recapped that staff have started the process of eliminating discretionary materials and services last year and would continue that process in the future.

In regards to improving service and operator scheduling efficiency, Mr. Hamm explained that staff were looking at a couple of areas as ways to save money:

- Adjusting the 10-minute service pulse to 15-minute pulses
- Reducing extra 5-minute load times

Mr. Hamm noted that the ATU might be willing to make adjustments to the current contract to avoid cutting service. Staff were developing wish lists for the next negotiations, looking at items in the current contract that could be eliminated that would collectively add up to substantial savings.

Mr. Hamm reported that staff were in the process of restructuring the organization, and downsizing of 10-12 administrative positions should be completed by the end of the week. Total savings would be available at the Board retreat on November 16, 2001.

Ms. Hellekson stated that cutting service was the lowest priority as a way to balance the General Fund. There could be a problem cutting additional service so soon after the Comprehensive Service Redesign. Although small tweaks could be done now, changes might be better in September 2002 after the annual review process.

Mr. Gaydos asked to see timelines at the Board retreat. He stated that provision of service was the most important. He also recommended informing the public of the staff layoffs.

Ms. Hellekson noted that LTD is in better shape than most government agencies because we prepared.

Step 2: Prioritize Capital Improvement Projects

The Board needs to prioritize capital improvement projects and identify necessities and non-necessities.

In regards to BRT, Ms. Hellekson stated that alternatives would be presented at the Board retreat.

Mr. Gaydos stated that LTD had promised BRT to the community and asked about the bottom line cost. Mr. Pangborn stated the LTD was committed to Phase 1 BRT although there could be various options to consider.

Mr. Hamm stated that a definition for BRT was being developed at the national level. Should be able to give a report at the Board retreat.

Ms. Hocken asked for Board discussion regarding BRT vehicles, noting that the options offered a \$5 million to \$10 million difference.

In a response to a question from Ms. Lauritsen, Mr. Viggiano stated that BRT vehicles could operate at the current Springfield Station site but it would be slower and out of direction. Mr. Hamm added that if articulated buses were used, service would need to be staggered.

Mr. Hamm stated that other BRT Consortium members were looking at purchasing vehicles. It might be possible to tag onto another purchase, which could possibly lower the price. He noted that Fleet Services Manager Ron Berkshire and he would be traveling to Europe in January 2002 to visit three bus manufacturing sites. He asked that the Board help develop vehicle criteria.

Step 3: Identify Funding Requirements

Ms. Hellekson stated that after prioritizing the capital improvement projects, staff should be able to identify capital funding gaps. The Board would then be asked to consider funding alternatives. One alternative involves taking formula funds received as part of reauthorization and leveraging them to the maximum amount, essentially making them 80 percent of the maximum debt payment that we could afford and determining what that would buy. After balancing the General Fund and making operations self-sustaining, we may want to require the Operating Fund to contribute to capital again. The final step would be to explore short- and long-term operating revenue opportunities. Options could include increasing the payroll tax and/or looking into joint development opportunities.

Mr. Gaydos recommended looking into the criteria that was used regarding opening of Broadway in Eugene. Mr. Pangborn believed that funding came from guaranteed funds based on timber revenue.

Step 4: Finalize Capital Improvements Program (CIP) and Long-Range Financial Plan (LRFP)

Ms. Hellekson stated that after working through Steps 1-3, staff would bring the LRFP and CIP to the Board for discussion and approval in December or January. This would then be the basis for budget development.

VIII. OTHER BUSINESS

In response to a request from Ms. Hocken, Mr. Pangborn outlined a tentative agenda for the Board retreat:

Day 1

- Financial planning
- Springfield Station
- Comprehensive Service Redesign (CSR)

Day 2

- Follow-up on budget discussion
- Construction management
- Long-range goals for budget development
- Board meet alone regarding internal operations

Mr. Gaydos stated that he would like to discuss the risks LTD is willing to take.

Ms. Hocken noted that four Board members' terms would be expiring and asked who would be on the Board in January. Ms. Lynch stated that she would be meeting with the Secretary of State's office soon and should have an answer by the retreat. She stated that Board district lines are being redrawn, which requires a public process.

In response to a question from Ms. Hocken, Mr. Lynch stated that as long as Board members are willing, they can continue serving on the Board until their replacement is appointed.

IX. NEXT MEETING

The next meeting of the Board Finance Committee was scheduled for December 4, 2001. Although there was nothing for the agenda at this point, the meeting would stay scheduled in case there was a need to gather the committee.

X. ADJOURNMENT

There was no further discussion and the meeting adjourned at 5:15 p.m.

(Recorded by Chris Thrasher, Lane Transit District)

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