MINUTES OF FINANCE COMMITTEE MEETING

LANE TRANSIT DISTRICT BOARD OF DIRECTORS

January 7, 2002

Pursuant to notice given to *The Register-Guard* for publication on January 3, 2002, a meeting of the Lane Transit District Board of Directors Finance Committee was held at 4:00 p.m. on January 7, 2002, at Lane Transit District, 3500 E. 17th Avenue, Eugene.

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

Absent: Gerry Gaydos, LTD Board Member

I. CALL TO ORDER

Ms. Hocken called the meeting to order at 4:04 p.m.

II. ROLL CALL

Also present were: Mark Pangborn, Assistant General Manager; Diane Hellekson, Finance Manager; Carol James, Accounting Supervisor; Stefano Viggiano, Planning and Development Manager; Andy Vobora, Service Planning & Marketing; Steve Parrott, IS Manager.

III. APPROVAL OF MINUTES

Ms. Hocken stated that paragraph 5 on page 3 of the minutes of the December 4, 2001, meeting should be amended to read that staff would present a budget to the **UO** for approval suggesting a 25 percent increase in rate per term.

Ms. Lauritsen moved, seconded by Ms. Hocken, to approve the minutes of the December 4, 2001, meeting of the LTD Board of Directors Finance Committee as amended. The motion passed unanimously.

IV. CAPITAL IMPROVEMENTS PROGRAM (CIP)

Ms. James distributed copies of a third CIP scenario, which assumed New Starts funding for bus rapid transit (BRT) at 60 percent. Scenarios for New Starts funding at 80 percent and 50 percent were included in the agenda packet.

Ms. Hellekson stated that staff had been developing the scenarios for several months and would present the information at the February 2002 Board meeting. The 60 percent scenario included $1.5 million for Phase 2 BRT for Eugene. Of the 40 percent match, staff are assuming that half would be in-kind (e.g., land donation, technical services donation).

Mr. Pangborn explained the differences in the scenarios. Staff had listed every source of reasonably expected revenue. It also was assumed that federal formula funds would increase next year and buses would be debt financed when grant funds are not available.

Referring to the 60 percent scenario, Mr. Pangborn noted that although the ending balance for the current fiscal year is projected to be $13.5 million, the balance at the end of Year 5 was projected to be a deficit.

Ms. Hellekson stated that LTD needs to resume transfers from operations at some point in order to meet future formula fund match requirements.

(Mr. Parrott arrived at 4:15 p.m.)

In response to a question from Ms. Hocken, Ms. James explained that the line item "local from operations" is the amount to cover the purchase of parts for fleet that comes out of 5307 funds. Capital transfer from the General Fund assumes none.

Mr. Pangborn stated that LTD is spending down the reserves. Recommended solutions were to find more funding (e.g., transfers from the operations fund to capital), find another source of revenue (e.g., raise payroll tax rate), and/or reduce projects. Major CIP projects included BRT, Springfield Station, and revenue vehicles.

Referring to the 60 percent scenario, Mr. Pangborn reviewed the CIP line by line. Staff clarified the following questions raised by the Committee:

<u>BRT</u>. $1.5 million represents design and property acquisition.

<u>BRT Vehicles</u>. $4 million for Phase 1 and $5 million for Phase 2. Staff believe they could purchase buses for less than $1 million each.

<u>Automated Fare/Passenger Information</u>. Enhancements to BRT, which would eventually be applied throughout the entire system. For Phase 1 BRT, units would be placed at nine major bus stops and at both stations. Units would be like a parking meter in terms of security.

(Mr. Vobora arrived at 4:28 p.m.)

<u>Springfield Station</u>. Amount does not include joint development.

<u>Revenue Vehicles</u>. Assuming technology is perfected, these buses would be new replacements, not refurbished vehicles. $8.2 million is for purchase of 18 low-floor and 5 articulated buses.

PBI. Passenger boarding improvements include minor improvements as well as replacing shelters at stops. By Year 5, 97 shelters would be replaced.

RideSource Facility. Anticipate losing $500,000 state funding. Believe a facility can be built for $1.5 million. Satellite facility land acquisition is local funding; have yet to identified a property.

Glenwood Facility. Expansion project has been pushed out beyond five years.

Hardware/Software. Beyond commitment under BRT category, there are no major software replacements. Financial software is being upgraded now.

Intelligent Transportation Systems. Includes money to pay for signal prioritization of remaining fixed-route fleet.

STF Vehicles. For RideSource as well as outlying services. Anticipate 90 percent grant funding.

Commuter Solutions. Amount gets transferred.

Ms. Hocken asked how the $90 million total compared to the projection before the budget crunch. Ms. Hellekson stated that it is lower. Staff have pared items down and pushed projects out beyond a five-year window.

In response to a question from Ms. Lauritsen, Ms. Hellekson stated that the CIP is a realistic list of projects. Major projects are on the list; small projects may have been eliminated. Some line item amounts may have been reduced. Administrative vehicles were deferred and technology projects were pared down.

Ms. Hocken asked if there were any sources for local share. Mr. Pangborn stated that items have been placed on the CIP list to provide a forum for discussions with partner agencies. Currently, the focus is on the Pioneer Parkway corridor and staff have had preliminary discussions with Sacred Heart.

In response to a question from Ms. Hocken, TEA-21 will renew effective 2003. Projections for formula funds are unknown at this time.

Mr. Viggiano stated that planning for Phase 2 BRT was happening now. He recommended informing the City of Eugene about delaying build-out of Phase 2 before the CIP was distributed to the public.

In response to a question from Ms. Hocken, Mr. Pangborn stated that the strategy for asking for funding would be to first try to get earmarked money from Congress. Then, if needed, LTD could ask for funding through a special source of funds, e.g., small New Starts for BRT.

V. Operating Fund

Ms. Hellekson distributed copies of "Schedule of Combined Five-Year Projections," which showed the Operating Fund budget. The primary goal is for operations to pay for itself, and it does not. Although the table showed almost $6 million in cash carry forward, projections showed a deficit in the current year of approximately $562,000. By Board policy, $3 million has to remain in cash carry forward at all times in order to meet current working capital requirements, self-insurance potential requirements, and future working capital requirements.

In response to a question from Ms. Hocken, Mr. Pangborn stated that a 10 percent increase in passenger revenues was projected for FY 2002-03.

Ms. Hellekson stated that staff do not recommend any additional current year course adjustments. Payroll tax revenue is down with projections that LTD will receive 98 percent of what was actually received last year. The country appears to be pulling out of the recession faster than Oregon. Need to bring expenses down and control growth. Also need to find a way to generate enough money to start transferring to capital again. Management staff believe that an 8 percent reduction in service beginning with the Fall bid would generate a $1 million savings.

In response to a question from Ms. Lauritsen, Ms. Hellekson stated that an 8 percent service reduction would equate to approximately 16 drivers and fewer buses on the road. If some of the money could be saved in efficiencies, the impact on service could be reduced. Staff would continue to look for cost savings in other administrative areas.

In response to a question from Ms. Hocken, Ms. James stated that no assumptions for operating efficiencies for BRT are built in. Mr. Viggiano believed that no benefits would be realized until Phase 2 BRT.

Ms. Hellekson stated that there could be opportunities to control some labor costs although the ATU labor agreement does not expire until June 30, 2004. If service is reduced, drivers would be laid off with an option to rehire within one year.

Staff are looking at other ways to control costs, e.g., co-pays on insurance premiums, foregoing COLA for administrative staff, not replacing retiring employees. Did not assume any radical change in benefits until FY 2004-05 when a new labor contract would be negotiated.

Ms. Hocken preferred a gradual approach.

Mr. Vobora recommended a brief discussion about productivity and coverage at the January Board meeting, e.g., span of service, frequency.

Ms. Hellekson reminded the Committee that LTD cannot spend federal funds on operations.

In response to a question from Ms. Hocken, Mr. Vobora stated that staff are getting more efficient in using the scheduling software.

Mr. Pangborn estimated that the current fiscal year would end 2 percent down from the previous year. Tri-Met in Portland is 13 percent down from the same quarter a year ago.

Ms. Hellekson noted that state-in-lieu money (payroll tax on state wages) was holding up and would make budget this year.

The Committee asked that the potential cost reductions be included in the monthly financial reports.

VI. Next Meeting

The next meeting was scheduled for February 5 pending approval with Gerry Gaydos' schedule.

VII. ADJOURNMENT

There was no further discussion and the meeting adjourned at 5:51 p.m.

(Recorded by Chris Thrasher, Lane Transit District)

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