

MINUTES OF FINANCE COMMITTEE MEETING
LANE TRANSIT DISTRICT BOARD OF DIRECTORS

February 5, 2002

Pursuant to notice given to *The Register-Guard* for publication on February 1, 2002, a meeting of the Lane Transit District Board of Directors Finance Committee was held at 4:00 p.m. on February 5, 2002, at Lane Transit District, 3500 E. 17th Avenue, Eugene.

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

I. CALL TO ORDER

Ms. Hocken called the meeting to order at 4:06 p.m.

II. ROLL CALL

Ms. Hocken noted that all members were present. Also present were: Ken Hamm, General Manager; Mark Pangborn, Assistant General Manager; Diane Hellekson, Finance Manager; Carol James, Accounting Supervisor; Steve Parrott, Information Technology Manager.

III. APPROVAL OF MINUTES

Ms. Lauritsen moved, seconded by Ms. Hocken, to approve the minutes of the January 7, 2002, meeting of the LTD Board of Directors Finance Committee. The motion passed unanimously.

IV. COST-CUTTING OPTIONS

Ms. Hellekson distributed copies of notes outlining revenue, service and efficiency, and labor cost options that were discussed at the LTD Board Retreat in November 2001. She explained that staff had been looking at all the options to see if there were ways to cut costs, and she gave a brief review.

Long-Term Options

Payroll Tax. The Board has since tabled the issue to consider increasing the current tax from .006 to a larger percentage. The option remains on the long-term opportunity list.

Statewide Revenue Measures. The issue to levy a one-time property tax, business tax, or other tax to pay for capital projects was still on the table.

Road Fund. Staff would explore opportunities for LTD to apply for Lane County Road Funds for Pioneer Parkway as part of the negotiations with the City of Springfield.

Short-Term Options

General Fare Passes. The Board would be asked to approve increasing the cost of passes by 25 percent and the cost of tokens by 20 percent.

RideSource Fare Increases. RideSource had agreed to the proposed fare increases.

Special Service Charges. Rates were being adjusted to cover the expense of running special service. The UO approved the increase for the football service, which should result in a \$100,000 revenue increase. LTD would likely limit service to five or six major, special service events.

Group Passes. When the Group Pass Program was created, it was originally revenue neutral, i.e., the price for each participant was based on fare replacement for the bus riders who were already in the program. We have since removed the revenue neutral component and have raised the rates as each of the Group Pass organizations come up for renewal.

Service Reduction. Staff would determine service reductions of currently estimated 7 percent that would take effect Fall 2002.

Route Efficiency Measures. It became apparent that LTD cannot simultaneously cut service and, at the same time, dramatically increase service efficiencies. This item had been deferred pending completion of service reductions.

Run Cuts. Run cuts for fall service would need to be done in May. The Annual Route Review, thus, would need to be done in March. With run cuts being done in May, it would give the Board one more opportunity to look at the personal services budget for bus operators, which is LTD's single, largest expense.

In response to a question from Ms. Hocken, Mr. Hamm stated that staff were becoming more proficient operating the new scheduling software. He added that staff would be looking at lay time vs. actual drive time as a way to reduce non-service time. LTD is consistent with the industry, but he believed there was room for improvement.

Ms. Hocken asked if, when the Board approves the service package, there would be items that for sure would be included and maybe some items that would be included only if we are below the goal number. Ms. Hellekson stated that Andy Vobora, service planning manager, would ask the Board to compose a 7 percent service cut by combining options.

Mr. Hamm reported that an article in the February 5, 2002, Register-Guard, had reported numerous misinterpretations about cutting service and bus operator positions. Staff would distribute a memo to bus operators to clarify and would meet with those operators who are on the low end of the seniority list.

Mr. Gaydos noted that it could be hard for the public to understand building BRT when service and employee cuts were being made at LTD.

Mr. Pangborn stated that Transit Operations would not replace three to four bus operators. Instead, their runs would be filled by operating with overtime.

Mr. Hamm stated that there could be a number of bus operators who would retire after July 1, 2002.

Ms. Hocken stated that she would like to take advantage of run cuts next fiscal year, limiting the service cuts as much as possible.

Bus Cleaning. Savings were found by laying off a bus cleaner. Staff would look into the alternative of contracting out cleaning services. The research that was done on new cleaning equipment did not show a potential reduction in overall cleaning costs.

Special Services. There have been concerns about hiring retirees to drive for special events. This item had not been ruled out, but staff had not assumed any savings yet.

BRT. The project office in downtown Eugene was closed and staff have been moved back to the Glenwood facility. More work would be done in-house instead of hiring consultants.

Breeze. Six AVS buses, as well as two 30-foot Gillig buses, should be painted by the end of February. Staff were working with the manufacturer to design a better ramp that is more accessible for the disabled community. In the meantime, 30-foot Gillig buses have been placed into service on the Breeze route.

Ms. Lauritsen asked about the capacity problem at the UO. Mr. Pangborn replied that the 30-foot Gillig buses were traveling at the highest capacity times.

Springfield Joint Development. Staff have been talking with the City of Springfield about joint development and were looking for in-kind donations as local match for future phases of BRT. Other than assuming LTD would find 20 percent from local contribution, we have not assumed any revenue from joint development at the Springfield Station. Staff were speaking with PeaceHealth regarding use of right-of-way. A contribution might be able to be counted as local match.

Articulated Buses. Have purchased used articulated buses and are in the process of purchasing new articulated buses.

Reduction Options

Labor Costs. In looking at ways to cut costs with administrative staff, a number of options were suggested by staff. Management, with the approval of the Board, made a decision to cut 12 administrative staff instead because the other suggested options implied only a short-term solution. Other suggested options are still on the table for consideration. Ms. Hellekson stated that the remaining administrative staff wages would increase 3 percent. There may be an opportunity to save money across all staff by eliminating the HMO health benefit, which is not contractual.

PERS Conversion. Preliminary analysis suggested that a conversion to a PERS retirement program would save money in the first or second year if a very optimistic return were assumed on the investment portfolio. The current plan would have to be maintained in addition to the new plan, which

would double the administrative expense for the plan. However, for more than 50 percent of the employees, it dramatically reduced the retirement benefit. The current plan is more flexible.

Other Benefits. Some employee events and benefits have been eliminated. Suggestions were made to combine the picnic and banquet. The Bus Roadeo could be held as an event without sending the winner to the APTA national competition.

Mr. Gaydos stated that the Board should look at ways to save money as well, e.g., holding the Board retreat on property instead of in a hotel. It was noted that cost for dinners at the Board meetings have been cut back one-third.

V. CAPITAL IMPROVEMENTS PROGRAM (CIP)

Ms. Hellekson referred the committee to the Capital Improvements Program included in the agenda packet. She noted that the estimate for BRT Phase 1 vehicles has increased from \$4 million to \$6 million. This revision was made as a result of information obtained when the general manager and fleet services manager visited European vehicle manufacturers recently. Also assuming that future vehicles would be more expensive.

Transfers to the Capital Fund from the General Fund were projected to resume in FY 2003-04 and continue annually thereafter. As previously reported, these transfers are necessary to complete CIP funding and set aside local match that would be required for future federal funds. These transfers would be funded primarily by a reduction in General Fund cash reserves that would be made possible after service cost reductions balance future operating expenses.

VI. LONG-RANGE FINANCIAL PLAN (LRFP)

Ms. Hellekson referred the committee to the LRFP included in the agenda packet. As part of the development of the 20-year plan, the first five-year component of the plan had been revised to include the following changes from previously considered drafts:

- \$1 million had been deducted from personnel services in FY 2002-03 and another \$1 million in FY 2003-04. These reductions reflect assumed service cost reductions, which could take the form of productivity and efficiency improvements and/or net service reductions. The currently proposed service cost reductions would allow the operating budget to balance within the first three years of the plan and generate modest surpluses thereafter.
- Transfers to the Capital Fund from the General Fund were projected to resume in FY 2003-04 and continue annually thereafter. As previously reported, these transfers were necessary to complete CIP funding and set aside local match that would be required for future federal funds. Transfers would be funded by the surpluses referenced above.

Ms. Hellekson stated that this plan assumed an aggressive expenditure control system. It also assumed that the economy would stay flat in the short term and grow modestly thereafter.

In response to a question from Ms. Hocken, Ms. Hellekson stated that the cuts year-to-date in

this model included \$1 million in service reductions.

Ms. James stated that in Year 2 the plan showed another \$1 million reduction. If the economy should start to rebound, Ms. Hellekson stated that Board could decide to hold off on service cuts and let the reserves in the Capital Fund drop down.

Mr. Gaydos asked if proceeds from bond sales were assumed for the \$10 million for bus purchases for FY 2001-02. Ms. Hellekson replied that an RFP would be distributed soon.

In response to a question from Mr. Gaydos, Ms. James stated that the CIP assumed that the United Front would get an additional \$2.8 million for the Springfield Station, which would assume full funding of the design concept.

Ms. Hellekson stated that the LRFP and the CIP would be presented to the Board at its February meeting. The five-year plan would be included in the 20-year plan as required by the state. The 20-year plan highlights major projects that would require ongoing funding.

Ms. Lauritsen moved, seconded by Mr. Gaydos, to approve the forwarding of the Capital Improvements Program and the Long-Range Financial Plan to the full Board. Motion passes unanimously.

VII. NEXT MEETING

The Committee would meet on March 12 to review the proposed budget, assumptions, and service aspects.

VIII. ADJOURNMENT

There was no further discussion and the meeting adjourned at 5:03 p.m.

(Recorded by Chris Thrasher, Lane Transit District)