MINUTES OF FINANCE COMMITTEE MEETING

LANE TRANSIT DISTRICT BOARD OF DIRECTORS

September 18, 2002

Pursuant to notice given to *The Register-Guard* for publication on September 16, 2002, a meeting of the Lane Transit District Board of Directors Finance Committee was held at 4:00 p.m. on September 18, 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 4:08 p.m.

II. ROLL CALL

Ms. Hocken noted that she and Mr. Gaydos were present. Also present were: Diane Hellekson, Carol James, Stefano Viggiano, Mark Pangborn, Linda Lynch, Andy Vobora, Lisa Gardner (arriving at 4:40 p.m.), Ken Hamm (arriving at 5:00 p.m.) (LTD staff); Randi Bjornstad (*The Register-Guard*); and Bruce Miller (guest).

III. APPROVAL OF MINUTES

Mr. Gaydos moved, seconded by Ms. Hocken, to approve the minutes of the May 16, 2002, meeting of the LTD Board of Directors Finance Committee. The motion passed unanimously.

IV. FARE INCREASE REVIEW

Ridership and Fares. Mr. Vobora distributed copies of handouts entitled "Ridership Review: Summer 2002," Projected Revenues Based on Proposed 2002-03 Fare Changes," and "Pricing Plan: 2002-03 to 2007-08" and reviewed data with the committee. This was a first look at ridership and fares following the service cuts that were instituted this past summer. He noted that ridership for the months of June, July, and August 2002 showed a decrease from previous year ridership. This could be due to a 6 percent reduction in service in June 2002 and another 3 percent reduction in September 2002.

Pass sales were down from the previous year. It appeared that riders reacted more severely to the fare increase. Need to watch ridership movement, which is not down at the same rate as sales. Guests may be purchasing tokens instead.

Operating statistics showed a 10 percent decrease in service and platform hours from Winter 2002 to Fall 2002. A 36.7 percent reduction in overtime hours was a result of more efficient planning. Total pay hours decreased by 8.9 percent. The service cuts result in a decrease of operator duties by 14. These 14 positions were reduced through retirements and attrition.

Ms. Hocken asked why the sales for youth passes in June 2002 were up 24 percent from June 2001. Mr. Vobora stated that the number is a composite number. Sales of youth passes increased the first year after elimination of the Freedom Pass and held steady last year. He was not sure why more passes were sold in June 2002. A better picture would be to look at the whole year. September sales should show an increase with students returning to school.

(Ms. Lauritsen arrived at the meeting.)

In response to a question from Mr. Gaydos, Mr. Vobora stated that it takes a couple of years to regain lost ridership. If fare sales stay low, projected revenue amounts might not be met.

Mr. Gaydos asked what could be done to regain ridership. Mr. Vobora replied that LTD could do promotions, but he believed that it just takes time for people to adjust. He predicted a faster recovery period than two years. It is hard to compare numbers when service is being cut at the same time. Lately, LTD has not been as aggressive with the youth marketing in the schools, which is a new market every year.

Mr. Viggiano stated that in 1981 LTD saw a decrease in ridership when service was cut and fares were increased. The Board lowered the fare for a period, which resulted in a slight increase in ridership. It was not until 1986 that ridership was back to the pre-1981 level.

Promotional Fares. Mr. Vobora stated that the 25 cent promotional fare for circulator routes was eliminated and the regular fare rate was reinstated. He noted that the #55 River Road Connector was the only circulator route in effect as of September 22.

In response to a question from Ms. Hocken, Mr. Vobora stated that a Breeze fare survey would be done in December 2002.

Pricing Plan. Mr. Vobora referred the committee to the 2002-03 Pricing Plan included in the agenda packet, which showed a history of fare changes and future projections. The schedule showed an increase in cash fare to $1.35 for 2003-04. The committee would be asked to review the Pricing Plan in December 2002.

Mr. Gaydos asked if staff could tease out cause. Mr. Vobora responded that it would be hard without spending a lot of money on research.

Youth Fares. Mr. Vobora stated that we continue to have a youth fare enforcement problem. Some guests older than 18 are trying to buy the discounted youth fare. Bus operators are getting frustrated. Staff are looking at a student pass option where a guest would need to show a school I.D. card in order to use the youth fare. Children younger than middle school age would fall into a child category. We would need to develop an alternative I.D. card for homeless and home-schooled youth.

Ms. Hocken asked Mr. Vobora to keep Eugene Mayor Jim Torrey informed about changes to the youth fares because the mayor was a big advocate for changing the youth fares.

V. BRT VEHICLE FINANCING

Ms. Hellekson reminded the committee that the Bus Rapid Transit Vehicle Demonstration Program proposal was rejected by the Federal Transit Administration. Subsequently, staff have issued a Request for Proposal to prove there are no U.S. manufacturers for the BRT vehicle and are going through the standard Buy America waiver process. Length of time for a decision is uncertain. We are on a tight timeline for negotiating and ordering and are concerned about missing the Winter 2004 delivery date. Staff had reviewed the current plan and key assumptions:

- *Current fixed-route service levels remain constant until the implementation of BRT Phase 1.* Ms. Hellekson stated that a $2.5 million course correction was recommended last fiscal year, which consisted of $1.5 million in administrative staff reductions and $1 million in service reductions already implemented. A third piece was built into the 2002-03 budget that implied either $1 million more in operating revenue or $1 million less in operating expense. It later became clear that another service reduction was not feasible. Staff believed it was not a good idea to make a trade-off between current fixed-route service and BRT. If we cannot use federal funds on the initial purchase of buses, we would need to find a way to finance them with local funds. That could eventually have an effect on service.

- *Major capital projects come in at or below current estimates.* One million dollars was put back into fixed-route service. If all else remained as estimated, service would remain constant as well. Eventually, the Capital Fund would run out of the funds.

- *Personnel services costs are contained within planned/estimated growth (and a new ATU contract is advantageous).*

- *In the event of local leveraged financing of BRT vehicles, new sources of capital will be required within three years.*

Ms. Hellekson distributed copies of spreadsheets showing a schedule of combined five-year projections as a baseline and for BRT buses funded from local sources. The baseline spreadsheet assumes we get the Buy America waiver by the end of October and that we can use federal funds to purchase the BRT vehicles. The second spreadsheet assumes that we do not get the Buy America waiver in time and we opt to finance the vehicles leveraging local funds.

In response to a question from Ms. Hocken regarding BRT bus funding, Ms. James replied that the baseline scenario assumes that $3 million would come from a United Front grant and $3 million would come from Section 5307 formula funds. Both would be an 80/20 match.

Ms. Hellekson stated that if we do not get the Buy America waiver by the end of October 2002 and we decide there is too much risk leveraging local funds, a third option would be to delay the implementation of BRT Phase 1 to align with the Buy America waiver timeline. Buses would be ordered once the Buy America waiver is granted.

In response to a question from Ms. Hocken, Ms. Hellekson stated that it would be 18 months from time of commitment until delivery of vehicles. Implementation of BRT Phase 1 service would begin Fall 2004. Buses would need to be delivered in the spring of 2004 to allow for testing and training. Timeline allows for negotiation of a contract.

Mr. Viggiano stated that staff feel confident we will get the Buy America waiver. The question is how long it would take.

Mr. Gaydos recommended that the Board discuss the issue in October.

In response to a question from Ms. Hocken, Mr. Pangborn stated that Wildish Construction believed we could meet the construction deadline of Fall 2004. However, the BRT system could not operate without the new buses.

Ms. Hellekson asked if the committee agreed with the staff recommendation that service not be touched. Mr. Gaydos agreed.

Ms. Lauritsen believed it would be easier to get funding from the capital side versus the operating side. Ms. James believed the estimates on the operating side were optimistic. It indicates in the next fiscal year a 2 percent increase in personnel services, which includes the new ATU contract and health care costs. It could have an operating impact if the increase is higher than 2 percent.

Ms. Hellekson noted that costs may exceed estimates. Last year, it was easy to tie the need for service and staff reductions to a recessing economy. Next time it may be hard to politically justify service reductions.

Ms. Hocken believed it looked worse to fund BRT vehicles with leveraged local funds. Ms. Hellekson stated that we could not pay funds back with federal dollars but we could use debt financing.

In response to a question from Ms. Hocken regarding the structure of proposed debt, Ms. James stated that payroll tax receipts would be pledged as collateral for the bonds. The repayment plan is to use formula dollars to pay debt service, but the formula funds would not be pledged as such. Because LTD's balance sheet is so strong, Ms. Hellekson anticipated a favorable rating.

VI. BUS FINANCING DEBT RESOLUTION

Ms. Hellekson referred the committee to the debt resolution agenda item in the agenda packet. The Board will be asked to approve the use of capital reserves to pay for 18 Gillig 40-foot buses and 5 articulated buses and subsequently reimbursing with the proceeds from revenue bond sales. The Board would be asked to adopt the 60-day resolution in November 2002, which gives the public 60 days in which to respond to the District's financing plan.

Ms. Hocken asked how the $9 million was calculated and whether or not it would include the cost of issuing the bonds. Ms. James offered the following breakdown:

		PRICE EACH	TOTAL
18	Gillig 40-foot buses	$300,000	5,400,000
	Radio/video equipment	30,000	540,000
5	Articulated buses	$425,000	2,125,000
	Radio/video equipment	30,000	150,000
	Travel & training		50,000

Debt issuance	300,000

Ms. Hocken asked when the actual dollar amount of the bonds would be established. Ms. James responded that a preliminary official statement should be in March 2003 with the bond sale slated for June 2003.

The committee had no reluctance to recommend the resolution to the Board for adoption.

In response to a question from Mr. Gaydos, Ms. Hellekson stated that the public hearing for the 60-day resolution would be published in *The Register-Guard*.

VII. BUS FINANCING DEBT CALENDAR

Ms. Hellekson referred the committee to the detailed debt calendar in the agenda packet. She noted that the bond sale was scheduled for June 10, 2003.

In response to a question from Ms. Hocken, Ms. Hellekson stated if for some reason the bond sale was delayed a few months, it should not make a difference. Ms. James stated that LTD could opt to borrow on the short term until the bond sale. Banks are willing to lend right now.

(Mr. Hamm arrived at the meeting.)

VIII. RIDESOURCE FACILITY

Ms. Gardner distributed copies of a handout summarizing six sites under consideration as a RideSource facility. The original estimate to build the facility (excluding land cost) was $3.3 million. Since available funding was only $1.4 million, the architects developed a scaled-back facility design, which included a minimal facility, metal buildings, and off-site fueling, for an estimated cost of $2.1 million. Three of the six sites would accommodate RideSource only and not a satellite facility. Cost to purchase land was estimated at $500,000. Some sites have a usable existing building. It is staff's recommendation not to purchase additional land for a satellite facility at this time unless feasible within the same budget. Ms. Gardner noted that the satellite facility was not in the Capital Improvements Program.

In response to a question from Ms. Lauritsen, Ms. Gardner reported that staff were looking at clusters of need and would conduct a traffic analysis to determine the most efficient site.

Ms. Hellekson stated that allocated funds are inadequate. If funds are not obligated soon, we could lose them. Will probably need to invest the additional amount in the Capital Improvements Program for the land into the RideSource project anyway to meet project costs.

In response to a question from Ms. Hocken, Ms. Gardner responded that we should still be able to get an additional $500,000 from the state once the project is started.

Ms. Lynch stated that some of the funding was coming from federal STP funds but $500,000 was from the State General Fund, which was cut in the first Legislative special session but restored in the last special session.

Ms. Hocken asked for clarification of the ballot measure to increase income tax by $300 million over three years and what would be cut if the measure did not pass. Ms. Lynch stated that the disappropriation measure would cut $176,000 from the Public Transit Division.

IX. NEXT MEETING

Chris Thrasher would contact committee members to schedule a meeting in October.

X. ADJOURNMENT

There was no further discussion and the meeting adjourned at 5:10 p.m.

(Recorded by Chris Thrasher, Lane Transit District)

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