

MINUTES OF FINANCE COMMITTEE MEETING  
LANE TRANSIT DISTRICT BOARD OF DIRECTORS

October 30, 2002

Pursuant to notice given to *The Register-Guard* for publication on October 28, 2002, a meeting of the Lane Transit District Board of Directors Finance Committee was held at 4:00 p.m. on October 30, 2002, at Lane Transit District, 3500 East 17th Avenue, Eugene.

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

Absent: Virginia Lauritsen, LTD Board Member

**I. CALL TO ORDER**

Ms. Hocken called the meeting to order at 4:07 p.m.

**II. ROLL CALL**

Ms. Hocken noted that she and Mr. Gaydos were present. Also present were: Diane Hellekson, Carol James, Ken Hamm, Mark Pangborn, Steve Parrott (LTD staff).

**III. APPROVAL OF MINUTES**

*Mr. Gaydos moved, seconded by Ms. Hocken, to approve the minutes of the September 18, 2002, meeting of the LTD Board of Directors Finance Committee. The motion passed unanimously.*

**IV. OTHER BUSINESS**

Ms. Hellekson informed the committee that a taxpayer had filed amended returns with the Oregon Department of Revenue regarding exemption from the LTD payroll tax for part of their operations. The taxpayer argued that part of their operations, although 501(c)(3) status under the umbrella of the taxpayer's main business, was not part of the hospital but were still nonprofit organizations. Ms. Hellekson distributed copies of the 1997 Oregon Revised Statutes, 267.380 Definitions for ORS 267.380 and 267.385, which states the following:

"Employer" does not include an organization exempt from taxation under section 501(c)(3) of the Internal Revenue Code, as amended and in effect on December 31, 1996, except that "employer" does include hospitals.

This exemption will mean a \$700,000 loss in payroll tax revenue (cash basis). Future payroll tax revenues lost will be about 1 percent of total payroll tax revenue, or \$175,000 per year.

Staff outlined the following plan of action:

- LTD attorneys will be asked to give an opinion.
- Staff will look into appealing the decision.
- Tri-Met in Portland has been notified, and they are looking into the issue with their attorneys.
- Staff will ask the LTD Board to approve using contingency to cover the loss.
- Linda Lynch, government relations manager, will look into the legislative history and changing the language in the statutes to include "clinics and labs."

In response to a question from Ms. Hocken, Ms. James believed there would be a small effect on the taxpayer's group pass rate.

Ms. Hocken stated that the contingency in Oregon local budget laws was set up in case you have to expend more in a budget category. She was unclear how using the contingency for a revenue shortfall applied. Ms. Hellekson stated that the LTD contingency was originally created to protect against revenue shortfall, specifically in regards to payroll tax.

## **V. CAPITAL FINANCING**

Ms. Hellekson distributed copies of a two-page Capital Projects Summary and a Schedule of Combined Five-Year Projections – Baseline, which were created for the strategic planning work session with the full Board in December 2002. Ms. James reviewed major changes in the assumptions for the capital projects:

- Phase 1 BRT construction has been moved out two years, with completion September 2004.
- Timeline for Phase 1 BRT start-up is being driven by when buses are due to arrive (September/October 2004 or March 2005). Mr. Hamm noted that buses would arrive one by one, on a monthly basis. The corridor needs to be complete before the prototype bus can be tested. The last bus should arrive six months after the first bus is delivered.
- Phase 1 BRT construction is estimated at \$12 million.
- Phase 1 BRT design is estimated at \$1.4 million.
- Additional funding over original grant is assumed to be 5307 formula funds.
- Phase 2 BRT was pushed out a year. Both corridors are assumed to be funded at 60 percent federal, 20 percent LTD local, and 20 percent other local.
  - Pioneer Parkway construction is assumed to start in 2004-05, with completion in 2006-07. Construction is estimated at \$15.7 million.
  - Coburg Road construction is assumed to start in 2006-07. Construction is estimated at \$20 million.
- BRT technology is assumed to be funded out of 5307 formula funds.
- Springfield Station construction is assumed to be funded with STIP funds, \$4 million from last year's United Front lobbying effort, and funds from this year's United Front lobbying effort.
- RideSource facility construction is estimated at \$2.2 million.
- Destination signs on all the buses would be replaced for \$1 million over a three-year period.

Mr. Gaydos asked for an explanation of the 20 percent local match for Phase 2 BRT construction. Ms. Hellekson stated that it could include state funding. Staff hoped to receive a donation of land in Springfield for BRT as part of the match. Mr. Pangborn stated that the state could play a role in capital match; the state has made significant contributions to light rail in Portland.

Mr. Gaydos was concerned that the community would assume BRT was already funded. Ms. Hellekson stated that Phase 1 BRT is funded; however, funding for the other two corridors is yet to be determined. LTD would not commit to building until funding is determined.

Mr. Pangborn stated that the bus guideway system was included in construction costs for the initial corridor. The magnets in the system are of minimal cost; however, the major cost of the system is in the software on the bus and is included in the cost of the buses.

Ms. James stated that according to this plan, by Year 5 we are out of cash.

The revenue summary identified the source of revenues.

Ms. Hocken asked what assumptions were made regarding the STP allocation. Ms. James stated that the status quo was used.

In response to a question from Mr. Gaydos, Ms. Hellekson stated that we are prudent in what we are financing with debt. We could finance more than vehicles with debt because we are not near maximum capacity.

Mr. Gaydos stated that he has reassured the public that debt financing is not being used for operations.

Mr. Hamm reported that 20 other systems of similar size have gotten extensions regarding using formula funds for operations. LTD has never used formula funds for operations.

Ms. Hellekson stated that the Board would be discussing strategies that support the capital plan during the Board work session in December 2002.

In response to a question from Ms. Hocken, Mr. Pangborn stated that no one knows when the transportation bill would be passed. There could be a special legislative session in November 2002 after the elections. Bills would either be discussed and passed separately, or bills would be tossed into an omnibus funding bill. The omnibus funding bill would give LTD less chance to advocate for the \$6 million earmark.

## VI. BUS FINANCING DEBT RESOLUTION

Ms. Hellekson referred the committee to the section in the agenda packet regarding the debt resolution. Staff have since made a change to the language on page 1, paragraph (2), and page 2, paragraph "Replacement Fleet," to read as follows: ...to replace **a portion of** its existing bus fleet...

The committee had no objections to the resolution as written. The resolution, once approved by the full Board in November, would be published in accordance with legal notice requirements and would specify a 60-day period in which members of the public can declare intent to oppose the debt financing plan.

Ms. Hellekson was confident that \$9 million was adequate for the cost of both the vehicles and the debt issuance process.

#### **VII. COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)**

Ms. Hellekson stated that copies of the CAFR had been mailed to the committee for their review, and LTD Board members would receive copies at the November meeting.

Ms. Hellekson noted that LTD once again received a clean audit. She also reported that staff were able to bring the revenues and expenditure growth rates under control last year. The total revenue growth rate, was 8.6 percent, with a majority from grant-funded areas. Expenditure growth was limited to 2.7 percent, which was driven by depreciation.

Ms. Hocken noted that the net income was double from prior fiscal year, which is a measure of how well we were able to reduce expenditures during the year.

Mr. Gaydos stated that the transmittal letter contained valuable information that could be summarized and provided to the public in a public annual report or a one-page summary.

Ms. James stated that copies of the CAFR are mailed to the Eugene and Springfield city managers, the local public libraries, and Eugene and Springfield Chambers of Commerce.

#### **VIII. NEXT MEETING**

Ms. Hellekson reminded the committee that the next meeting of the Finance Committee was scheduled for November 21 as a work session on New Starts funding.

#### **IX. ADJOURNMENT**

There was no further discussion and the meeting adjourned at 5:00 p.m.

(Recorded by Chris Thrasher, Lane Transit District)