MINUTES OF FINANCE COMMITTEE MEETING

LANE TRANSIT DISTRICT BOARD OF DIRECTORS

February 4, 2003

Pursuant to notice given to *The Register-Guard* for publication on February 2, 2003, a meeting of the Lane Transit District Board of Directors Finance Committee was held at 12:00 p.m. on February 4, 2003, at Lane Transit District, 3500 East 17th Avenue, Eugene.

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

I. CALL TO ORDER

Ms. Hocken called the meeting to order at 12:09 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, Stefano Viggiano, Andy Vobora, Terry Parker, Linda Lynch, Lisa Gardner, Ron Berkshire, Mark Johnson, Charlie Simmons (LTD staff).

III. APPROVAL OF MINUTES

Mr. Gaydos moved, seconded by Ms. Hocken, to approve the minutes of the October 30, 2002, meeting of the LTD Board of Directors Finance Committee. The motion passed unanimously.

IV. PRICING PLAN

Andy Vobora, service planning and marketing manager, referred to the Pricing Plan Proposal included in the agenda packet as he gave the committee an overview.

Standard Fares

Mr. Vobora stated that staff's recommendation was for no changes to the cash, token, or pass fares for FY 2003-04.

Cash and pass fares, in comparison with 17 similarly sized transit agencies, showed LTD ranked second in cash fares and fifth in pass fares. Since the mid-1980s, LTD has raised fares annually. The practice of annual changes has been coupled with the concept that these changes would be rotated by fare instrument and would be incremental in nature. The Board deviated from this practice and changed the fare policy in FY 2001-02. A large cash fare increase was followed by significant increases in token and pass prices in FY 2002-03. Past practice would point the District toward a cash fare increase in FY 2003-04; however, Board comments following the FY 2002-03 Pricing Plan update indicated that the Board would like to maintain cash fares at the current level. Because both token and pass prices were increased in FY 2002-03, maintaining current fares for one additional year would allow the District to return to the previous pattern of rotating fare instrument price increases. Mr. Vobora referred the committee to the Pricing History table on page 14 and noted that the total percent change since 1981-82 for adult pass prices should be 70.8 percent.

Ms. Hocken asked for clarification regarding sharing preliminary pricing proposals for each fare category. Mr. Vobora responded that LTD would inform guests that there would be no changes this fiscal year with increases the following year.

Ms. Hocken supported staff's recommendation and asked that the materials be presented to the full Board.

Mr. Gaydos asked if staff got many complaints that guests have not been informed of upcoming fare increases. Mr. Vobora responded that LTD does get comments in years that changes are made but no real complaints. Guests have anticipated yearly fare changes. Mr. Gaydo's requested that staff stay on top of elasticity studies and pay attention to the public's concerns about fare increases.

(Ms. Lauritsen arrived.)

Mr. Hamm stated that bus operators have reported that guests are concerned about increases in fares, reduction of service, and high cost of fares.

Mr. Vobora stated that initially LTD received a large number of complaints regarding the pass price increase. Complaints were logged only when guests called in or wrote a letter. Elasticity studies are updated in the industry but it varies in terms of type of instrument, location, size of urban area, and system. LTD uses a standard elasticity factor of 10 percent to predict fare revenues. Changes in monthly pass sales are ranging from -4 percent to -18 percent, which is as anticipated. Projected revenues showed that adult passes reacted more significantly than youth passes and the LCC term pass was holding firm in terms of sales.

Mr. Gaydos stated that the Board needs input in order to understand more fully the budget impact.

Ms. Parker, special transportation manager, stated that RideSource riders usually approve of fare changes; however, the last fare increase resulted in more of an affect. Complaints were documented in letters.

Breeze Fares

Mr. Vobora stated that currently cash fares on the Breeze buses make up less than 9 percent of revenue; most riders use passes. Staff's recommendation is to keep the current 25-cent fare.

Mr. Gaydos believed that the City of Eugene, which pushed for a downtown shuttle, would appreciate keeping the fare low.

In response to a question from Ms. Lauritsen, Mr. Vobora stated that the Breeze route carries approximately 2,000 trips a day.

Group Pass Pricing

Mr. Vobora stated that during the Pricing Plan update in 2001, the Board adopted changes to the Group Pass Policy. These changes established a base rate for all programs covered by group pass contracts. For payroll tax-paying organizations, the base rate was set at $3.00 per participant per month. Organizations that do not pay payroll taxes were priced slightly higher at $3.50 per participant per month. For many organizations this change resulted in significant increases in the cost per participant. A number of these organizations expressed concerns; however, no programs were lost. In the 2002 Pricing Plan update, the pricing formula (three-year rolling average of LTD cost increases) was established at 7.6 percent. The Board chose to modify the Group Pass Policy, rewriting the language to say that the group pass price would "not exceed" the three-year rolling average of LTD costs. With this change, the Board adopted a 6 percent increase in group pass prices for the 2003 calendar year. This change was again viewed as significant by many of the group pass organizations. One organization dropped out of the program; however, they are utilizing the Transit Voucher program for the employees who have been relying on bus service.

Utilizing the three-year rolling average, the plan recommends an increase of 5 percent for 2004. Staff believes this level of increase will cause additional programs to be lost; therefore, staff recommends either holding the line on current prices or tying the 2004 increase to the change in the consumer price index (CPI). If the Board chose to use the CPI, an increase of 3.65 percent would be applied in 2004.

Mr. Vobora then distributed copies of ASUO Group Pass Rate Projections. He informed the committee that the ASUO group pass participants were currently paying $8.25 per quarter per student, for a total of $457,157. Beginning last year, staff had discussions with ASUO about getting on par with the rest of the group pass programs in terms of the minimum price that was set two years ago, which would be $11.13 per quarter per student. LTD staff suggested phasing in an increase over the next five years. Mr. Vobora proposed a move to $9.25; they approved $8.75. LTD proposes to counter with a $9.00 proposal and work toward $11.13 by FY 2008-09. Another option would be to end the program and sell to students individually, but staff believed that would could risky. ASUO is setting up an advisory group to work with us.

Mr. Gaydos was not in favor of ending the ASUO group pass program.

In response to a question from Ms. Hocken, Mr. Vobora stated that the current rate for UO faculty and staff is $11.13. He noted that, in 1999, a bus operator count and deboarding study determined that 22 percent of the student body rode the bus.

When the UO administration heard about the ASUO negotiations, they became concerned that parking would become a big issue if the ASUO program were to discontinue.

The committee gave approval for staff to appeal ASUO's offer with the counterproposal.

LCC Term Pass

The pricing of the LCC Term Pass involves a discount offered by LTD, a subsidy paid by LCC, and a fee paid by purchasers. In FY 2002-03, the term bus pass price was raised by LTD to $54, which represented a 25 percent increase from the previous year. The participant price and the subsidy were adjusted to allow a total of 8,823 passes to be sold during the school year. While staff from LTD and LCC were pleased that sales are better than expected, 20 percent of the fall inventory remained unsold. This may result in as many as 1,500 unsold passes at year-end. Staff recommends no changes to the LCC term bus pass price.

Mr. Vobora noted that LCC is looking at implementing a parking fee, which would be priced higher than the cost of a bus pass. This could result in the college purchasing more passes.

Youth Pass

Mr. Vobora stated that staff recommend reimplementing a discounted three-month summer pass for youth for July through September. Suggested price would be $34.95, which represents a discount of $7.55 off the youth three-month pass price. A total sale of 600 passes would be needed to break even. The expected outcomes of this program include increased ridership, increased ridership productivity, and greater youth market penetration.

RideSource Fares

Mr. Vobora stated that staff recommended no change to the RideSource Fares; however, the Board could consider a price increase for the 10-ride ticket book, which is currently priced at $20.00.

Summary

Ms. Hocken stated that the committee was in support of staff's Pricing Plan recommendations and recommended that all the information be presented to the full Board.

V. RIDESOURCE FACILITY

Lisa Gardner, senior strategic planner, distributed copies of a memorandum entitled "RideSource Facility Program & Budget" and reviewed the site selection options with the committee. Three options were presented for a site at 310 Garfield in Eugene.

- Option 1 – 7-acre parcel and renovation of existing building ($3.5 million)
- Option 2 – 3-acre parcel and renovation of existing building ($2.8 million)
- Option 3 – 3-acre parcel and construction of new building ($3 million)

The committee previously had approved pursing a satellite facility in conjunction with the RideSource facility if it did not cost more to do so.

Staff recommended Option 3, which does not accommodate a satellite parking facility for fixed-route but does accommodate full expansion of the RideSource program beyond 10 years. Staff also believed it would be more cost effective to build a new building rather than renovate an existing building.

In response to a question from Mr. Gaydos, Ms. Gardner stated that the owner of the property was willing to partition. Ms. Parker noted that the site has since been cleared of old existing buildings except for the 10,000-square-foot building in the corner of the property.

Mr. Gaydos asked if environmentals had been done on the property. Ms. Gardner responded that the Level I and Level II site assessments would need to be updated. Geotech analysis showed that the soil is stable enough for new construction.

The committee agreed with staff's recommendation for Option 3.

VI. PAYROLL TAX LEGISLATIVE ISSUES

Linda Lynch, government relations manager, distributed copies of a memorandum entitled "Payroll Tax Rate." She stated that TriMet was proposing a bill to increase the payroll tax rate from 6/10 of 1 percent to 7/10 of 1 percent over a ten-year period. The current rate has been stable at 0.6 percent since October 1994. There appears to be support for the proposal, and staff is working both locally and at the legislative level to keep LTD in the TriMet bill; however, LTD does have the option not to be part of the bill. The Lane delegation, as well as the local business community, basically is supportive.

Ms. Lynch stated the need to establish a fallback position and offered the following options:

- Delay implementation date
- Dedicate funds to capital or service
- Tie to an economic indicator

TriMet proposes to dedicate funds to service. They have had 12 years of sustained monthly increases in ridership except for one month.

In response to a question from Ms. Lauritsen, Ms. Lynch replied that the payroll tax rate is set by state law but the Board would have to approve raising the rate for LTD. She noted that the Board has a history of not implementing the full amount when it could have.

Ms. Hocken noted that a change in the payroll tax rate would also change the self-employment tax rate.

Ms. Lauritsen asked where the payroll tax revenues comes from. Ms. Hellekson stated that Eugene pays five times more than Springfield; Junction City pays approximately 5 percent of the total.

Although Mr. Gaydos did not like any of the fallbacks, he believed delayed implementation was the easiest.

Ms. Hellekson stated that if the bill should pass, the Department of Revenue would implement a change in the month of January.

Ms. Hocken asked it funding were dedicated to service, would service cost have to increase? Ms. Lynch believed that it would not; however, TriMet was mandated to increase service by 3 percent each year.

Ms. Lauritsen preferred a fallback of implementation rather than put any restrictions on how the funds are spent.

VII. BRT VEHICLE UPDATE

Mr. Hamm reported that Ron Berkshire, director of maintenance, and Jeanette Bailor, purchasing manager, recently traveled to The Netherlands for a visit with Advanced Public Transport Systems (APTS), manufacturers of the Phileas vehicle. APTS' proposed price was $2 million for each Phileas; staff only had budgeted $1 million per vehicle. The price was based on substantial price increases of suppliers, the devaluation of the American dollar, and the fact that they had never before priced the cost to build a diesel, flywheel, hybrid-electric vehicle with doors on both sides. The process of doing business in Europe is different than in the U.S. APTS wants to provide the vehicle, and LTD believes the Phileas is the best vehicle for the bus rapid transit (BRT) system.

In a video conference with APTS on January 30, LTD offered to pay $1.5 million per vehicle and reduce the order from six vehicles to five, allowing for one spare vehicle instead of two. APTS is looking at alternatives and is working with suppliers to try to lower the price. APTS asked for LTD's help in working with Monaco Coach, a local RV manufacturer, to discuss manufacturing portions of the Phileas locally. Staff was not sure if that kind of arrangement was feasible within the given timeframe and has begun looking at alternatives.

The BRT system has been designed around a vehicle with doors on both sides and for a system that has precision docking. Staff may have to rethink the design process and slow the construction schedule in order to look at alternatives.

Mr. Hamm stated that Seattle was testing a new low-floor, hybrid-electric vehicle by Allison, which is in a New Flyer bus, at a cost of $800,000 per vehicle. LTD could piggyback onto their order, which would bring delivery by the end of 2004. The downside is that Allison does not manufacture a bus at this time with doors on both sides.

Staff did not recommend pursing France's CiViS vehicle, which cost $1.5 to $2 million for a vehicle with doors on both sides.

Vehicle priorities have included operational aspects and being environmentally friendly.

Ms. Hocken asked how important was the automated docking and how much does that add to the cost. Mr. Hamm believed that precision docking was a necessary component of the BRT system. Mr. Berkshire, director of maintenance, stated that a breakdown of cost had not been determined yet. Just tying into the infrastructure alone is approximately $400,000 for the system, which does not include all the programming, software, and hardware that would be completed before delivery.

Ms. Lauritsen stated that new vehicles can be a risky proposition. After a company has produced a number of vehicles, their reliability increases.

Mr. Pangborn, BRT construction manager, stated that since the system was designed around a vehicle with doors on both sides, staff would be looking at system design options.

Mr. Gaydos believed that $1.5 million was high for a vehicle and recommended full disclosure to the Board and city councils. He also recommended looking at the economics as well as vehicle pizzazz.

Ms. Hocken requested that staff look at Seattle's vehicle and give a report at the February Board meeting.

VIII. PHASE I BRT CAPITAL COSTS

Mr. Pangborn distributed handouts that outlined construction estimates for Phase 1 BRT. Cost categories include design, reimbursables, and construction. With a project this size, it is best to have two estimates. One estimate is from the design firm and the other is from the construction firm. Design was budgeted at $1,400,000, but both estimates came in at $1,670,000. Reimbursables was budgeted at $2,000,000, both estimates came in at $2,220,000. Reimbursables include signal priority, legal fees, appraisals, art, plan review, testing, public information, ticket vending machines, and administrative overhead.

Construction costs were broken out for the Eugene and Franklin segments. The Eugene segment is at 95 percent design completion and was budgeted at $4,000,000. The construction firm, Wildish, estimated the construction budget for the Eugene segment at $4,750,000, with an additional $306,000 for reimbursables, while the design firm, Parsons Brinckerhoff (PB), estimated it at $4,103,000. This resulted in a substantial difference between the two. PB planned to get another estimate from a completely uninvolved part of their organization and Wildish has agreed to re-evaluate their numbers.

Construction costs for the Franklin segment, which is at 60 percent design completion, was budgeted at $8,000,000. PB's estimate came in at $7,704,000. Although Wildish did not have an estimate, estimated reimbursables would put the amount over budget.

Total project estimates are between $300,000 to $1,800,000 over budget.

Mr. Pangborn distributed a handout that listed Wildish's reimbursables for on-the-site costs.

How does the bus effect this issue? If we are forced to redesign the system or if Phileas delivery is delayed, it would give us more time on design to go back and make cuts. If we are forced to go with a vehicle that has only right-side doors, we would need to redesign three stations. Mr. Pangborn noted that a curb-side station would be less expensive. Redesigning would add to the design budget cost. Mr. Pangborn noted that the basic corridor was designed for any type of articulated vehicle.

IX. PHASE I BRT OPERATING COSTS

Mr. Viggiano referred the committee to the BRT Operating Cost Estimate in the agenda packet. He stated that the additional operating costs to add BRT added up to less than $100,000. A key question is the frequency of service on the BRT corridor and on service east of the Springfield Station. The table showed 10-minute service on BRT between downtown Eugene and downtown Springfield. One option would be to drop to 12-minute frequencies, which would require the use of only three buses instead of four on the corridor. This could reduce service costs by approximately $200,000 a year.

Mr. Gaydos asked how 12-minute service felt to customers. Mr. Viggiano believed that service every 12 minutes was still a good frequency. He noted that the Breeze service started out with 10-minute service, went to 12-minute service, and is now at 15-minute service. He believed that there would not be a need for a timetable with 12-minute service.

Due to all the changes presented at this meeting, Ms. Lauritsen recommended that staff brief Board members before the February Board meeting.

X. NEXT MEETING

Staff would arrange a meeting for the committee in early March to discuss the Capital Improvements Program and Long-Range Financial Plan.

XI. ADJOURNMENT

There was no further discussion and the meeting adjourned at 1:35 p.m.

(Recorded by Chris Thrasher, Lane Transit District)

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