MINUTES OF ADJOURNED BUDGET COMMITTEE MEETING

LANE TRANSIT DISTRICT

Thursday, April 24, 2003

Pursuant to notice given to *The Register-Guard* for publication on April 6, 2003, and April 16, 2003, and distributed to persons on the mailing list of the District, a meeting of the Budget Committee of the Lane Transit District (LTD) was held on Thursday, April 24, 2003, at 6:30 p.m., in the LTD Board Room at 3500 East 17th Avenue, Eugene.

	Board Members	Appointed Members
Present:	Susan Ban	Michael Bean
	David Gant	Betsy Boyd
	Gerry Gaydos	Russ Brink
	Pat Hocken	Elaine Guard
	Dave Kleger	Dean Kortge
	Virginia Lauritsen	Maureen Sicotte
	Hillary Wylie	Darrel Williams

CALL TO ORDER AND ROLL CALL: Committee Chair, Dean Kortge declared the meeting reopened from the previous evening at 6:35 p.m. General Manager Ken Hamm called the roll. The following staff were also present:

Mark Pangborn, Assistant General Manager
Diane Hellekson, Budget Officer
Carol James, Accounting Manager
Ron Berkshire, Director of Maintenance
Mark Johnson, Director of Transit Operations
Stefano Viggiano, Director of Development Services
Terry Parker, Accessible Services Manager
Andy Vobora, Service Planning & Marketing Manager
Jo Sullivan, Clerk to the Board
Linda Lynch, Government Relations Manager
Steve Parrott, Information Technology Manager
Charlie Simmons, Facilities Services Manager
Todd Lipkin, General Ledger/Grant Accountant
Chris Thrasher, Recording Secretary

PUBLIC COMMENT: Mr. Kortge opened the meeting for public comment. There was no public commit, and the public comment session closed.

LOGISTICS AND AGENDA REVIEW: Ms. Hellekson thanked the Committee for returning for the continuation of the budget presentation and reviewed the general logistics for the meeting, which included asking questions, meeting times, refreshments, and an emergency phone number. She stated that the presentation would include a brief recap of the General Fund and Special Transportation Fund, which was discussed the previous night, as well as a discussion of the Capital Improvements Program, capital funding issues, budget summary, and conclude with committee discussion and action.

Ms. Hellekson reminded the Committee of the two budget themes: (1) resolve uncertainties while stabilizing fixed-route service, and (2) use FY 2003-2004 as a transition year to plan for future changes.

RECAP OF PREVIOUS NIGHT'S MEETING: Ms. Hellekson stated that the Committee had received a financial overview at the previous night's meeting and had talked about the key issues and tradeoffs, and General Fund and Special Transportation Fund proposed budgets.

The budget proposal for the General Fund showed $32,589,770 in total resources and requirements, which was an 11.4 percent increase over the appropriations for the current year. Growth was due to an increase in cash carry forward because of a surplus in the current year.

Revenue projections for FY 2003-2004 included no increase to fares and self-employment tax, and a 2 percent increase in payroll and state-in-lieu taxes.

As requested by the Committee, staff looked at the impact on the budget should payroll tax revenue increase by only 1 percent instead of 2 percent. This scenario would decrease the appropriation by $161,200. There was also a possibility for repayment of payroll tax funds that are in litigation, which could increase the appropriation by $1 million for a total modification of $17,282,300. Ms. Hellekson believed there were other ways that would offer more flexibility to the Board.

If the Board should decide to transfer $1 million to the Capital Fund, they have the authority to approve a transfer between line items. Another option is to appropriate $1 million now but not move it unless the payroll tax court case is won.

Ms. Hellekson restated the break down of General Fund appropriations: Personnel Services, 74 percent; Materials & Services, 17 percent; Special Transportation, 5 percent; and Insurance & Risk, 4 percent.

The budget proposal for the Special Transportation Fund showed $2,503,470 in total resources and total requirements. She noted the increase required from the General Fund due to an assumption that LTD would loss half of the state funding or $250,000. LTD hoped to know the status of the state funding by the end of the current legislative session.

In regards to Special Transportation Fund requirements, In-District and Out-of-District expenses are co-mingled, which makes it harder to see LTD's portion in comparison to pass-through funding.

As the meeting moved forward, Ms. Hellekson asked the Committee to keep in mind four questions regarding the proposed budget:

- Have resource allocations been balanced appropriately between present service needs and future needs?

- What parameters need to apply to the BRT vehicle decision?
- What should be the strategic approach to funding and implementing subsequent BRT corridors and future major capital projects?
- What aspect of our business next year (or in the future) might you do differently?

CAPITAL IMPROVEMENTS PROGRAM (CIP): Mr. Pangborn stated that capital projects are usually long-term investments that are large in terms of expenditures and, therefore, require long-term planning. He referred the Committee to the Draft Capital Improvements Program on page 42 of the budget notebook. Although the CIP showed a five-year plan, the Committee would only be approving next year's budget.

Mr. Pangborn stated that the major capital allocation commitment was bus rapid transit (BRT). He distributed copies of a bar chart showing other major capital projects, which included the new Springfield Station, RideSource facility, and bus purchases. Seventy percent of the allocations were for BRT and 30 percent were for other capital projects.

One million dollars a year for five years was budgeted for planning of the Pioneer Parkway (Phase 2) and Coburg Road BRT corridors. Build-out of the corridors included $14.7 million for the downtown Eugene to downtown Springfield (Phase 1) corridor and $31.1 million for the Pioneer Parkway corridor.

The budgeted cost for BRT vehicles was $6.6 million for Phase 1 and $7.5 million for Phase 2. Mr. Pangborn noted that funding for build-out and vehicles for Phase 2 was not yet determined. Staff predict that smaller neighborhood buses would be needed when Phase 2 service begins at a cost of $1.5 million.

(Russ Brink arrived.)

The facility expansion for fleet was budgeted at $850,000. The expansion is necessary to accommodate articulated buses. We are currently in the planning stage and would go out to bid in August 2003.

BRT fare management was budgeted at $487,000. Mr. Pangborn explained that one way to reduce the amount of dwell time, which is the amount of time a bus is actually stopped at a bus stop, is to have off-vehicle fare payment. Like a subway, BRT would have prepaid fares. Therefore, money has been budgeted to install new software and equipment on the station platforms for the sale of fare instruments.

Fixed-route system fare management, budgeted at $1.1 million, and an automated traveler information system, budgeted at $202,000, were discretionary and budgeted for the out years.

Radio infrastructure improvements was budgeted at $102,000. The current radio system is working; however, an upgrade is needed next year and a major upgrade would be needed in Year 4. In response to a question from Ms. Ban, Mr. Parrott stated that the current radio system was installed in 1996. More efficiency would be noted with the replacement of the current analog system with a digital system.

Mr. Pangborn stated that $30,000 was budgeted for BRT station security cameras in Year 3.

The five-year total for BRT capital projects was $70 million.

Springfield Station construction was budgeted at $5.3 million. Total cost of the project was $7.3 million. The project would go out to bid April 25, and bids would close on May 22, 2003.

A number of revenue vehicles are scheduled for replacement in FY 2006-2007 at a projected cost of $4.8 million.

Passenger boarding improvements, including bus stops, shelters, seats, benches, etc., were budgeted at $100,000. Mr. Pangborn stated that LTD's long-term goal has always been to maintain resources; however, bus shelter maintenance has been challenging. The glass and Plexiglas shelters slowly have been replaced with glassless shelters to reduce vandalism.

The cost for building a new RideSource facility was budgeted at $3.9 million with the addition of local funds to buy a piece of property that could be used for a future satellite facility. The most desirable land was 8 acres in West Eugene, which was larger than needed for only a RideSource facility.

A remodel of the Thurston Station to accommodate the extension of Jasper Road to Main Street was budgeted at $300,000.

Mr. Vobora stated that Lane County recently decided not to pursue the property for the Fairgrounds Park & Ride. The budgeted amount of $100,000 would be redistributed.

Mr. Pangborn added that $45,000 per year was budgeted for miscellaneous facility improvements.

Other capital improvements projects included hardware/software, $164,900; intelligent transportation systems, $200,000; bus-related equipment, $207,500; miscellaneous equipment, $124,500; shop equipment, $19,500; support vehicles, $60,000; and STF vehicles, $465,000. Ms. James added that the budgeted amount for miscellaneous equipment included purchase of a copier during FY 2003-2004.

Commuter Solutions is included in the CIP because the federal government supports the program. The budgeted amount of $210,000 per year covers two staff positions. The program works with the community on issues such as car pooling, van pooling, group bus pass program, and telecommuting and is supported jointly by LTD, City of Eugene, City of Springfield, and Lane County. The General Fund investment is $5,000 per year. Ms. Hellekson added that Commuter Solutions funds were originally highway funds that were funneled through the state. Now the funds are formula funds that not only are reported in the CIP but also are reported in the operating fund because they are operating expenses. They will show up in the budget as a revenue and an expense.

Engine kits and miscellaneous parts were budgeted at $285,000 for FY 2003-2004.

Mr. Pangborn stated that the total project expenses for FY 2003-2004 was $22.6 million, with a total five-year budget of $92.7 million.

Debt service was also included in the CIP. For the first delivery of the 18 low-floor and 5 articulated buses ordered, the budgeted amount was $495,750. Federal 5307 grant money would be used to service the debt.

The five-year grand total for capital expenditures, including debt service, was $100 million.

Ms. Wylie asked what part of the BRT planning budget was included in the Development Services Department budget. Ms. James stated that out of $503,200 budgeted for salaries in the Development Services Department, $483,200 was grant funded.

In response to a question from Mr. Williams, Mr. Simmons stated that prior-year expenditures for passenger boarding improvements were approximately $230,000, which paid for replacement of over 25 shelters. Due to the large capital expenditure program, this year's budget was pared back to $100,000, which would replace only 10 shelters. He added that $10,000 of that amount was allocated for civil projects. Mr. Williams asked for benches and shelters for Cottage Grove. Mr. Vobora stated that bus stops must meet a certain minimum boarding requirement before a shelter is installed.

In response to a question from Ms. Wylie, Mr. Viggiano stated that the total cost of the fleet expansion was $850,000. The original budget was $1.1 million. Mr. Pangborn added that at one point the cost for remodeling the parts area was included.

In response to a question from Ms. Lauritsen, Mr. Berkshire stated that the $60,000 budgeted for support vehicles was for the purchase of two vehicles as replacement for Transit Operations supervisor vehicles. There may be enough for one additional vehicle.

Mr. Kleger asked Ms. Parker to inform the Committee as to how old RideSource vehicles are disposed. Ms. Parker stated that vehicles with 200,000 miles are sold at auction or are sold or leased to private, nonprofit agencies in the community. The vehicles could run another 40,000 miles but usually have higher maintenance costs.

Funding for the CIP projects is provided through federal, state, and STP grants; federal formula 5307 funds; debt financing; local funding; and cash reserves. Mr. Pangborn stated that federal funding is provided with an 80/20 match. Although the Bush administration has recommended a change of funding ratio to 50/50; staff assumed a 60/40 funding ratio for the budget. Funding for the BRT Pioneer Parkway corridor assumed that LTD would fund 20 percent of the project and would find the other 20 percent somewhere else, e.g., land donation from City of Springfield and/or Sacred Heart.

Mr. Pangborn stated that an additional $1.2 million had been requested for completion of the Springfield Station. Until it is received, money would be borrowed from the BRT Pioneer Parkway project.

At the end of Year Five of the Capital Improvement Program, only $1.8 million remains, which is needed to pay bond debt. For a $100 million budget, the balance goes to zero in five years.

Mr. Pangborn distributed copies of an eight-year schedule of combined projections, which showed the affect on the budget with the purchase of five BRT vehicles under the following scenarios:

- Scenario 1: Vehicles at $2 million each, with no additional grant funding
- Scenario 2: Vehicles at $2 million each, funded with the help of $3.5 million in technology grants
- Scenario 3: Vehicles at $700,000 each

Another option would be to redesign the corridor to accommodate a bus with only right-side doors.

Ms. Hocken asked if outstanding debt was the only difference between the three scenarios. Mr. Pangborn stated that the annual debt service as a percentage of estimated annual payroll tax revenue was 15.5 percent for Scenario 1, 13.6 percent for Scenario 2, and 11.9 percent for Scenario 3. The preference was 10 percent; anything above that would mean paying more interest.

Another issue is that capital reserves are limited. In order not to run out of money in the out years, we can either allocate more money from operations to capital or spend less money in capital.

Mr. Pangborn stated that staff are looking at three vehicles for BRT: Phileas, NABI, and New Flyer.

The Phileas vehicle has new technology, a sleek image, doors on the right and left side, is more maneuverable, and although it has an automated guidance system, it is not required to operate the bus. This vehicle is manufactured in The Netherlands and would require testing in Europe. Cost per vehicle is $2 million.

The NABI vehicle has a clean, sleek image with doors only on the right side. In addition to the need to retrofit for doors on the left side, it also uses compressed natural gas (CNG), which would require building a $1 million fueling station. Mr. Pangborn stated that Los Angeles has ordered 250 NABI vehicles.

New Flyer has a domestic vehicle with doors only on the right side. The manufacturer would not assume liability for retrofitting doors on the left side. The vehicle does not have a guidance system, although there are possibilities of adding a guidance system. The New Flyer vehicle would be less expensive to maintain. Cost per vehicle is estimated at $463,000.

Mr. Pangborn stated that staff have been showing the public the Phileas as the BRT vehicle. Surveys have shown that image is of high importance. LTD Board members wanted a different look for BRT. In studies regarding rail versus bus, Mr. Viggiano stated that if everything else is equal, e.g., travel times, frequencies of service, more people will ride the train. This is attributed to image. If BRT is associated with rail, then image would be of high importance.

Mr. Brink believed that ridership increases when quality increases. BRT needs to be competitive with the car by providing a service that is different than a bus. He recommended purchasing the Phileas vehicle.

In response to a question from Ms. Ban, Mr. Pangborn stated that APTS could supply a prototype Phileas vehicle in 2004 for us to test and modify. The remaining Phileas vehicles would be delivered by mid-2005. New Flyer could deliver a bus by early 2004 with delivery of the remaining vehicles by first quarter 2005. NABI could deliver a vehicle the first part of 2006.

Mr. Kortge asked the citizen members of the Budget Committee to state their vehicle preference.

In favor of the Phileas:

- Mr. Bean -- Believed BRT would fail otherwise.
- Ms. Boyd -- Look at in terms of technology and capacity it brings to the community instead of cost.
- Ms. Guard -- Believed Phileas would draw the ridership.
- Mr. Brink -- Vehicle is the key component of BRT.
- Mr. Williams -- Has the image of a train.
- Mr. Kortge -- Phileas is BRT.

In favor of the New Flyer:

- Ms. Sicotte -- Purchase the vehicle you can afford. Believed public would not be swayed with image.

Mr. Bean asked how much money would be saved if BRT were postponed. Mr. Pangborn stated that exclusive right-of-way, as approved by the local jurisdictions, could be lost.

(The Committee took a 10-minute break.)

CAPITAL FUNDING – DEBT FINANCING: Ms. Hellekson stated that debt financing was recommended only for the purchase of vehicles and improvements with the useful life of more than 10 years. Vehicles could be debt financed for up to 12 years and facilities for 20 years. The proposal for FY 2003-2004 was $8.245 million for buses and a possible amount for BRT vehicles. The estimated issuance cost was $300,000 with a possible interest rate between 4.5 and 5.5 percent, dependent on the rating. The annual debt service would begin the middle of FY 2003-2004 and would be approximately $1 million for 12 years, with an estimated $495,750 budgeted for next year. Although $1.3 million was appropriated for debt service for satellite facility bonds, revenue buses bonds, and BRT vehicles bonds, no bonds would be sold in the current fiscal year.

BUDGET SUMMARY: Ms. Hellekson restated that the budget proposal for the General Fund showed $32,589,770 in total resources and total requirements, which was an 11.4 percent increase over the appropriations for the current year. No new positions or reductions were proposed for next year. No transfers to the Capital Fund were budgeted, but $1.3 million was budgeted for transfer to the Special Transportation Fund. The proposed budget for total transfers and reserves was $8,728,970, which was a 46.3 percent increase over last year.

The General Fund operating budget showed $23.8 million for Personnel Services and Materials & Services, which was a 2.5 percent increase over current year. For appropriation purposes and for more flexibility, insurance was added to Materials & Services.

Summary of FY 2003-2004 changes in Personnel Services showed a 3.4 percent increase in expenditures, which can be accounted for in benefits and contractual. Materials and Services summary of changes showed a 4.2 percent decrease from current year, which could be accounted for by a reduction in grant-paid parts due to fleet replacement, reduction in advertising expense, and an increase in insurance expense.

The General Fund non-operating budget showed $8.7 million for transfers to the Special Transportation and Capital Project Funds, operating contingency, working capital, and self-insurance and risk contingency.

The Special Transportation Fund showed $2,503,470 in total resources and total requirements, which was an 18.3 percent increase over current year. Ms. Hellekson pointed out that there was potential for a $250,000 gain from the State Special Transportation Fund. Ms. Lynch added that other state programs were lost in order to fund our programs at 100 percent. The General Fund transfer to the Special Transportation Fund showed a 36.6 percent increase.

In regards to the Capital Projects Fund, staff asked for approval of only the first year of the rolling plan, which is dominated by BRT and vehicle requirements.

Ms. Hocken asked if $8.2 million for revenue vehicles would be spent in FY 2002-2003 as shown on page 40 of the budget notebook. Ms. Hellekson stated that 18 Gillig buses would be delivered in the current fiscal year; however, the five articulated buses would be delivered next fiscal year. In November 2002, the Board approved a refunding resolution that allowed LTD to use local funding up front to buy the articulated buses and reimburse with the proceeds from bond sales. The appropriation needs to be in the budget before a contract is signed.

In response to a question from Ms. Hocken, Ms. Hellekson stated that the anticipated date for the sale of bonds would be around December 2003. Ms. Hocken asked why the proceeds for the sale of bonds were shown in FY 2002-2003. Ms. James stated that the appropriations needed to be shown in FY 2002-2003. Ms. Hellekson stated that staff would look into the matter in more detail as to the appropriate way to show the appropriations and proceeds.

The Capital Projects Fund showed a total of $36.6 million, which is a 25.6 percent decrease over the previous year. The decrease is attributed to a better understanding of the timeline for BRT. In addition to capital projects, this fund included debt financing costs, transfer to Debt Service Fund, and reserves. The proposal is to pay down the reserves to $5.5 million.

The Debt Service Fund showed a transfer from the Capital Projects Fund of $495,750 for the satellite facility, revenue buses, and BRT vehicles bonds.

Total proposed appropriations of all funds for FY 2003-2004 showed $72.2 million, which was a 12.2 percent decrease over the current year.

Ms. Hellekson referred the Committee to page 10 of the budget notebook for a flow chart of the different funds.

During discussion of the proposed budget, Ms. Hellekson asked the Committee to remember the following questions that were presented earlier:

- Have resource allocations been balanced appropriately between present service needs and future needs?
- What parameters need to apply to the BRT vehicle decision?
- What should be the strategic approach to funding and implementing subsequent BRT corridors and future major capital projects?
- What aspect of our business next year (or in the future) might you do differently?

She thanked Finance staff members Carol James, Todd Lipkin, and Chris Thrasher for their help putting together the budget notebook and presentation. She also noted that Kelly Perron-Crounse, Amy Miller, Hannah Bradford, and other Finance staff members helped with production and distribution.

Ms. Hellekson then distributed a copy of the motion to approve the budget for FY 2003-2004, which gave a summary breakdown of the General Fund (operating and non-operating budgets), Special Transportation Fund, Capital Projects Fund, and Debt Service Fund.

COMMITTEE DISCUSSION:

Mr. Kortge opened the meeting for committee discussion.

MOTION
VOTE

Mr. Kleger moved, seconded by Ms. Lauritsen, that the LTD Budget Committee approve the proposed Fiscal Year 2003-2004 budget as presented and forward it to the LTD Board of Directors for adoption. The motion was approved unanimously.

Mr. Gaydos thanked the Committee for all their input.

Mr. Kleger believed that this had been the toughest budget decision out of his ten-year tenure. He favored getting buses out of the main stream of traffic and into dedicated lanes, and believed BRT was the answer. As to resource allocation balancing, he thought LTD was doing as well as possible for the current year. In his opinion, the parameters that need to apply to the BRT vehicle decision included new technology and doors on both sides. As to strategic approach to funding, LTD may have to slow down planning of future corridors. Postponing projects until more funding is available or cutting back on fixed-route service are aspects he would consider doing differently next year.

Mr. Kortge thanked Ms. Hellekson, Mr. Hamm, and the management staff.

ADJOURNMENT: With no further discussion, the meeting adjourned to 8:55 p.m., on Thursday, April 24, 2003, in the LTD Board Room.

Darrel Williams

Committee Secretary

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