

MINUTES OF FINANCE COMMITTEE MEETING
LANE TRANSIT DISTRICT BOARD OF DIRECTORS

November 3, 2003

Pursuant to notice given to *The Register-Guard* for publication on November 1, 2003, a meeting of the Lane Transit District Board of Directors Finance Committee was held at 4:00 p.m. on November 3, 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 4:05 p.m.

II. ROLL CALL

Ms. Hocken noted that she and Ms. Lauritsen were present. The following LTD staff also were present: Diane Hellekson, Ken Hamm, Mark Pangborn, Carol James, Mary Neidig, and Andy Vobora.

III. APPROVAL OF MINUTES

Ms. Lauritsen requested a correction to the minutes of the September 16, 2003, meeting of the LTD Board of Directors Finance Committee, on page 4 under Health Insurance Arbitration Ruling. She stated that the Springfield Utility Board employees contribute up to \$310 per month for health care benefits. She then moved, seconded by Ms. Hocken, to approve the minutes as amended. The motion passed unanimously.

To follow up on a couple of questions from the last meeting, Ms. Hocken asked if there was any more information on using County Roadway Funds to purchase right-of-way for bus rapid transit (BRT). Mr. Pangborn, assistant general manager, stated that he was still looking into the matter.

Ms. Hocken also asked if there was a cost estimate to determine the voter population for one or more of the financing options presented at the last meeting. Mr. Vobora stated that the County Elections Office has the ability to work with Lane Council of Government's (LCOG's) mapping system to determine the electorate at a cost of up to \$10,000. The election itself is the expensive part unless it is tied into a general election. Ms. Hocken recommended determining the electorate now.

IV. PRICING PLAN

Mr. Vobora, Service Planning & Marketing manager, distributed copies of the Pricing Proposal Summary that was approved by the Board for FY 2003-2004 and LTD's Pricing History, which included projections for future years following past step processes.

Last year the Board chose not to make increases in the Pricing Plan due to past aggressive increases of cash and pass fares and a slow economy. The Special Transportation Advisory Council told Mr. Vobora that they would like RideSource fares to remain unchanged for another year.

Mr. Vobora asked the Committee if they needed any additional information to help with the decision process.

Mr. Hamm asked if LTD was experiencing lower farebox receipts. Ms. Hellekson stated that we are above last year but below budget. Ridership is still down but showing some improvement.

Ms. Hocken asked how well the summer youth pass sold. Mr. Vobora stated that sales were lower than anticipated. A survey would be handed out to November youth pass purchasers to gather further information.

Ms. Lauritsen asked what the revenue percentage was for the special programs that were not covered by LTD ordinance (i.e., Breeze fare, group pass, LCC Term Pass, and summer youth pass). Mr. Hamm stated that the group pass program was significant. Mr. Vobora stated that group pass rates were not increased last year. Ms. James noted that the ASUO contract is negotiated each year.

(Mr. Gaydos arrived.)

Ms. Hellekson stated that last year the assumptions in the Fully Allocated Cost Plan were changed to reflect a 7 percent growth, which kept the price the same for the group pass program. A 3.5 percent increase was calculated, but the total increase in revenue of \$20,000 was considered not politically feasible to implement.

In response to a question from Ms. Hocken, Mr. Vobora stated that according to the past schedule, this would be the year to increase cash fares by 10 cents.

Ms. Hocken asked about the discount on passes. Mr. Vobora stated that discounts are 20 percent for tokens, 30 percent for passes, and 43 percent for 3-month passes. There was a noticeable decrease in sales of the 3-month passes due to the last increase. LTD's cash fare ranks third among our peer group with the average being 95 cents.

Mr. Hamm believed we are pushing the elasticity and limit for some of our guests. He believed the discounts for passes are more generous compared to other transit agencies. Ms. James added that the predominate group of riders are covered by the group pass program.

Mr. Hamm stated that the City of Eugene has discussed discontinuation of the group pass program in order to increase General Fund revenue. Mr. Vobora would find out the percentage of city employees who use the group pass program. There is limited parking available for city employees.

Mr. Gaydos recommended looking at what would happen if group pass programs were discontinued.

Ms. Lauritsen believed that the public adjusts to small increases easier than large increases.

The Committee had some support for a modest increase in the group pass rate but would need to do further evaluation.

V. STRATEGIC PLANNING FUNDING ISSUES

Ms. Hellekson, director of Finance and Information Technology, referred the Committee to three scenarios of the Combined Eight-Year Projections that were included in the Board Retreat notebook they received at the meeting:

- Version 1.a – Assumes winning tax case, new payroll tax starts January 2005, new payroll tax not otherwise dedicated.
- Version 1.b – Assumes winning tax case, new payroll tax starts January 2006, new payroll tax not otherwise dedicated.
- Version 1.c – Assumes loss of tax case, new payroll tax starts January 2007, new payroll tax dedicated to capital.

Ms. James, accounting manager, gave an overview. She noted that the Capital Fund has additional reserve requirements that are not funded and have no anticipated revenue source.

Ms. Hellekson stated that Version 1.a is the most optimistic scenario, Version 1.c is the least optimistic, and Version 1.b is in the middle.

Mr. Lauritsen stated that it is better to be realistic and not too conservative on the projections.

The Committee recommended creating a scenario increasing the revenue from 2 percent to 3 percent and another scenario reducing requirements from 4 percent to 3 percent.

The Committee at previous meetings had discussed implementing either a corporate income tax or general obligation bond to generate more revenue.

Ms. Hellekson stated that the State of Oregon is seeing an upswing in revenue, which is encouraging.

Ms. James stated that if the payroll tax increase were dedicated to capital, it would provide additional revenue to back bonds or use to borrow against. TriMet plans to use this method.

Ms. Hellekson stated that none of the scenarios provide enough money needed to finance the ambitious capital program that has been laid out.

VI. ATU CONTRACT NEGOTIATIONS POLICY

Mr. Hamm, general manager, stated that a goal for Leadership Council is to have a good relationship with the Amalgamated Transit Union (ATU), employees associated with the union, and non-contract employees. Management believed it would be in the District's best interest to propose an interest-based or collaborative bargaining process for the upcoming contract negotiation. Management plans to offer the union free training, which is available through the Federal Mediation and Conciliation Services, in order to determine if the process is feasible for both sides. Negotiations could begin much earlier by going

through the collaborative bargaining process. If negotiations should fall through during that process, we could go back to the standard bargaining approach.

In response to a question from Ms. Hocken, Ms. Neidig, director of Human Resources, stated that the ATU has used collaborative bargaining for more tough arbitration issues as opposed to contract issues. They are familiar with the model and have used the process in a couple of smaller contracts. It has not been used in Oregon although LTD has used a small group process in prior negotiations.

Mr. Hamm stated that the Teamsters in Washington have begun to shift to collaborative bargaining.

Mr. Hamm stated that the key objective for negotiations is to keep total costs down. The negotiating team would work toward a traditional three-year agreement but could be flexible. The Finance Committee's role would be to determine the financial box.

Ms. Lauritsen inquired as to the outcome of the recent one-month Honolulu bus strike. Mr. Pangborn stated that Honolulu settled for a five-year contract with no wage increases for the first three years, except to cover medical costs. Salary increases would be included in year four and five of the contract.

In Los Angeles, the ATU mechanics have been on strike for three weeks. At the same time, the Metropolitan Transportation Authority (MTA) union drivers went out on strike since they had been operating without a contract for some time. LA has sent their last offer to the mechanics. If they do not agree to the offer, the offer will be imposed. Negotiations with the union drivers have resumed.

Ms. Hocken believed that medical coverage would be a key factor in the ATU negotiations. She recommended exploring all potential options to lower premiums.

Ms. Neidig stated that we need to determine the value of the financial box by the December Board meeting.

VII. OTHER BUSINESS

To date there has not been a tax court decision on the payroll tax issue.

Ms. Hocken asked if there was more information on the federal reauthorization or continuing resolution. Mr. Pangborn stated that the continuing resolution is still in effect through November 21. They are working on the reauthorization but there is a lot of debate with the Iraq requests. There should be an omnibus continuing authorization but the reauthorization will have to wait until January 2004. There is a possibility a decision would have to wait for another year.

VIII. NEXT MEETING

No date was set for the next meeting.

IX. ADJOURNMENT

There was no further discussion and the meeting adjourned at 5:23 p.m.

(Recorded by Chris Thrasher, Lane Transit District)

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