

MINUTES OF DIRECTORS MEETING
LANE COUNTY MASS TRANSIT DISTRICT
SPECIAL MEETING
November 14, 1979

Pursuant to notice duly given to the Register Guard for publication on November 6, 1979, a special meeting of the board of directors of Lane County Mass Transit District was held November 14, 1979, at 7:30 a.m. in the International Dunes Restaurant, Springfield, Oregon.

Present:

Richard A. Booth, Secretary
Daniel M. Herbert, Vice President
Kenneth H. Kohnen, President, presiding
Ted J. Langton, Treasurer
Glenn E. Randall
Carolyn Roemer
Phyllis Loobey, General Manager
Richard Bryson, Counsel
Mavis Skipworth, Recording Secretary

Robert C. Loomis
News media representative:
Marvin Tims, Register Guard

Ruby Brenne, Eugene Area Chamber of Commerce
Emerson Hamilton, Eugene Area Chamber of Commerce
Richard Jones, Eugene Area Chamber of Commerce
John Kelly, Springfield Chamber of Commerce
Peter McCabe, Amalgamated Transit Union
Don Mason, Eugene Area Chamber of Commerce
Joan Rich, League of Women Voters
Mary Sherriffs, League of Women Voters

INTRODUCTORY REMARKS BY PRESIDENT: Mr. Kohnen introduced board members, visitors and staff. He then advised that the purpose of the meeting was to give further consideration of ways to fund needed capital improvements and to review additional material developed by staff. He said the guests were invited to the meeting because of their interest in public transportation, to give them an understanding of the options available to the district and to provide input. He reviewed earlier activities pertaining to the purchase of new buses and spoke of recent events that are putting new demands on the system.

The chairman described the process of obtaining additional buses through the Oregon Mass Transit Financing Authority and informed the board of a meeting held with four bankers in Portland concerning financing of 22 additional buses through revenue bonding. He said they were interested in the district improving its financial position before negotiating on financing.

FLEET ACQUISITION VIA BOND FINANCING: Ms. Loobey presented materials defining the need for acquisition of additional buses and steps that have been taken by the staff to determine the feasibility of funding the purchase of that equipment.

The general manager listed two alternatives for securing adequate financing to retire revenue bonds, 1) referring an income tax measure to the voters in the spring of 1980 to become effective in January, 1981, and 2) raising the payroll tax to the legal limit. She gave a brief comparison of the advantages and disadvantages of each. She then gave a detailed explanation of a 10-year financial forecast distributed to those present, and the assumptions leading to the development of the forecast.

Ellen Bevington, Transit Planner, gave a comprehensive explanation of ridership and bus fleet trends, covering the district's ridership history, fleet size and projections, fleet age and dependability, and inflation in the cost of buses.

Responding to question by Mr. Hamilton of how the district defines an overload on a bus, Paul Shinn said it is considered 133% of seating capacity or approximately 15 patrons standing, although the driver makes the determination of when a bus is filled to capacity.

Mr. Langton expressed interest in shifting buses from lower ridership routes to overload routes. Ms. Bevington explained that those routes feed to the overloaded routes going to LCC and the university.

Mr. Jones suggested an effort should be made to coordinate schedules with the university and possibly adjust hours of classes. Ms. Bevington advised that a meeting is scheduled with university administrators but, as the classes are spread throughout the day, she was not sure they could be flexible.

Joan Rich asked if any statutory changes had been made by the 1979 Legislature that would affect the income tax and was advised that, other than allowing the boundary to coincide with the service area, there had been none.

In response to concern expressed by Mr. Booth of the short timeline involved in obtaining financing prior to the December 17 deadline of ordering additional buses, Ms. Loobey advised an order of the 22 additional buses could be made be resorting to the payroll tax and attempting to enact an income tax, or by negotiating a penalty clause with GMC of Canada if unable to finance them. Mr. Dallas reminded that there would be assured buyers of any vehicles should the district be delayed in financing them. Mr. Booth said he believed the financing should be determined prior to placing an order.

Mr. Kohnen said a commitment by the banks could be used as a basis for the order and the banks had indicated that an income tax was a possibility for improving the district's financial picture, or increasing the payroll tax to the maximum .006 which would increase revenues approximately \$890,000 annually.

Mr. Booth spoke of his objection to excessive administrative costs of an income tax and suggested the possibility of employers deducting a matching amount of the payroll tax from the employees income, as in the manner of social security deductions. Ms. Loobey reminded that the income tax would be based on taxable income and not on gross income and that would require more refunds. Mr. Bryson stated that the statutes allow an income tax but not a payroll tax on employees' wages.

Mr. Herbert said the variations of the income tax could again be explored but this was not the time to address the details; rather, to determine a general direction. He said he wished assurance that the district's present revenue sources would be adequate should alternatives not be available and asked if the payroll tax were raised to the maximum at this time would revenues be adequate for financing the additional vehicles.

Ms. Bevington commented that the financial forecast was very conservative and, although in the past when fares were raised ridership usually went down, conditions are now different because of such external factors as high cost and scarcity of gasoline.

In answer to a question by Mr. Herbert of the city's plans on an income tax, Mr. Dallas reviewed the activities of the Revenue Task Force and said there is a strong possibility that the city of Eugene will seek approval of an income tax.

Mr. Langton said the need for an additional 22 buses has not been thoroughly demonstrated and to be realistic about financing them, the board should not consider anything beyond the payroll tax and increasing fares; that it would be foolish to pursue an income tax to pay off revenue bonds. Mr. Booth reminded that the board could enact an income tax without referral to the voters, but agreed that it would be a waste of time to seek voter approval.

Mr. Langton asked how much additional usage could be obtained from the Twin Coaches through refurbishing. Mr. Dallas replied they could be used for about five years, but explained a problem of weakened frames and necessary replacement of floors and carpeting. He said the cost at \$7,000 each to correct such problems would only maintain the status quo and would not lower the extra \$140,000 annual operating costs. He referred to the need for additional buses and said it would be better to move ahead now than in two or three years because of the price of the coaches, the cost per mile and the monies required to refurbish the older vehicles, as well as the district's inability to cope with the ridership crunch with the current fleet capacity.

Mr. Herbert commented that he has had a bias toward getting more buses sooner and the presented documentation has made him more convinced that it would be shortsighted for the district to ignore the need. He said the problem is not whether the need is there but what means to utilize in financing it.

Mr. Jones said he felt the representatives of the business community were invited to this meeting to help find an acceptable way to expand the bus fleet. He said there are several options, but the district is focusing on a limited number of alternatives. He suggested "need and demand" should be a consideration as people are willing to pay for "demand". He asked if the base for the payroll tax could be broadened to include governmental employees, the university and others who primarily use the buses. He said local government should support those benefits they are deriving from the district. He disagreed with the financial projection, stating that with fuel and related costs a 20% inflation factor would be more realistic. He further suggested that peak hour load could be adjusted and spread out through a marketing program and by disallowing discount fares during peak hours. He said he would like to see a sound, reasonable way to expand the fleet by spreading the payroll tax base. Mr. Kohnen advised that legislative change would be required to include governmental agencies in the tax base and to disallow senior discount fare.

John Kelly said it bothered him that insurance companies are exempt from the payroll tax as they and their customers benefit from the bus service. Ms. Loobey said the issue has previously been debated and the district has tried to pursue a broader base. She advised that the GMA benchmark survey has indicated a favorable response to a \$20.00 income tax and she believed the district has the ingredients to now move ahead on the income tax. She said there is a timing problem between the city's efforts and the district's, but she felt a measure on the ballot at this time would get a favorable response.

Mr. Hamilton referred to the financial forecast and said he assumed the income tax was not being seriously considered as it was not included in the forecast. He reminded that the chamber had received a commitment from the board to maintain a 25% operating cost/farebox ratio which was not reflected in the financial forecast. He said to assure success of the district, the tax base must be broadened; that there would be resistance from the business community to increasing the payroll tax, and the district would not be keeping good faith.

Mr. Kohnen asked what the feelings of the business community are to an income tax and Mr. Hamilton replied that they are mixed but he would assume they would again support it.

Ms. Loobey reiterated that the projected figures were prepared for the bankers and were necessarily very conservative. She stated the current position is different from any previously experienced as conditions are in such a state of flux, it is difficult to crystalball what will happen.

Mr. Jones observed that if more buses are added to the fleet, there will be a drop in ratio because of the operating expense. Mr. Powis, Director of Marketing, said it would provide service to areas with potential ridership that would take some time to build.

Mr. Randall reminded that riders are being left at the curb and the situation could worsen. He recalled that the income tax vote within the service district was close and said he believed with the boundaries conforming to the service area there is an excellent chance of receiving voter approval on an income tax. He favored immediately raising the payroll tax to the maximum, putting through the income tax and then lower the payroll tax, saying this would provide an incentive to the business community to support the income tax and they would help mount a successful campaign.

MOTION Mr. Herbert moved the board direct the staff to proceed as fast as possible toward completing the additional buses discussed in the memo. Mr. Randall seconded the motion. Mr. Herbert said the intent of his motion is to indicate to the bond buyer that the district is committed to buying the additional buses and that revenue possibilities are in hand to retire that indebtedness.

Mr. Kohnen advised that a resolution of intent of the board is needed to state that increased revenues will be available through the payroll tax or income tax. Mrs. Roemer said she would wish for the board to meet again before making a commitment.

TE The question was put and the motion carried unanimously.

Mr. Loomis observed that he believed there has never been a better time for the district to get its act together or to pass the income tax. He said there is a shortage of fuel and tough times ahead; that he sees a rush to buy buses and the district should get in line.

Mr. McCabe expressed the opinion that there is now a unique opportunity to broaden the base and the union is ready to assist in any way possible. He said the union is concerned about productivity and with new equipment, the passenger size should increase.

Mr. Hamilton asked if a lower price for the buses could be attained by volume. Mr. Dallas replied that the new buses are a standard commodity and with manufacturers at the limits of production, they could easily sell the vehicles to someone else; so the pricing is fixed.

Mr. Kohnen said he feels the district should obtain the 22 additional buses and should figure some way to finance them; that broadening the tax base would be most desirable and the board will pursue this issue further at the regular meeting on November 27th.

The meeting was adjourned.


Richard A. Book
Secretary