

MINUTES OF BUDGET COMMITTEE MEETING

LANE COUNTY MASS TRANSIT DISTRICT

APRIL 2, 1981

Pursuant to public notice to the Register Guard for publication on March 24, 1981, a meeting of the Budget Committee of Lane County Mass Transit District was held at the City Hall in Eugene, Oregon, on April 2, 1981, at 7:30 p.m.

Present:

Board Members

Daniel M. Herbert, Vice President
Kenneth H. Kohnen, President
Ted J. Langton, Treasurer
Carolyn Roemer

Appointed Members

Carole Erbe
Emerson Hamilton
Richard Hansen
Joel Kaplan
Joan Rich
John DeWenter

Phyllis Loobey, General Manager
Paul Shinn, Budget Officer
Jo Sullivan, Recording Secretary

News Media Representative:

Marvin Tims, Eugene Register-Guard

Absent:

Richard A. Booth, Secretary
Robert C. Loomis
Glenn E. Randall

Ronald Schmaedick

The meeting was called to order by Board President Kenneth H. Kohnen, who made some initial comments regarding the economic environment of the District. He commented that the state of the national and local economies are presenting a challenge to the District which it has never met before. He said that in January the Board had reduced service, laid off employees, and reduced salaries of the administrative staff, as well as having taken other steps to reduce expenditures. He added that one of the major sources of District revenue, receipts from the local employers' payroll tax, as well as the fare box revenue, are both filled with uncertainties at this time, and that future legislative action would have an impact on the Budget Committee's actions.

Mr. Kohnen then introduced Carole Erbe, Joel Kaplan, and John DeWenter, who were new to the Budget Committee, to the committee members and staff who were present.

ELECTION OF OFFICERS: Mr. Kohnen opened the meeting for nomination and election of a Chairman and a Secretary for the Budget Committee. Richard Hansen nominated Emerson Hamilton for Chairman, but Mr. Hamilton respectfully declined the nomination due to other previous commitments. Mr. Herbert then nominated Richard Hansen for Chairman, and Mr. Hamilton moved the nominations be closed and a unanimous ballot be cast for Mr. Hansen. A roll call vote was taken for the records, and the vote was unanimous in favor of the motion.

MOTION

VOTE

Ms. Loobey announced that, in the past, if the Budget Committee Chairman had not been able to attend a meeting, Mr. Kohnen had acted as Chairman for that meeting. Since there is no provision for such an instance in the budget law, the committee agreed to follow that procedure again this year.

MOTION

VOTE

Mr. Hamilton then nominated Joan Rich for committee Secretary, and Ted Langton moved the nominations be closed and a unanimous ballot cast for Ms. Rich. A vote was again taken, and Ms. Rich was unanimously elected committee Secretary.

BUDGET PROCESS: Mr. Shinn thanked the lay committee members who had volunteered to be on the Budget Committee. He noted that the staff had provided a large amount of materials in the last few days for committee members to read or skim. He said that two memos would provide background information on where the District has been in the last few years, particularly last year, and where it will be going in the future, and that a couple of relevant sections of the Transit Development Program (TDP) would be talked about in detail at the meeting, but the rest of the information would be for the members' background information only. He added that he and the other staff members would be happy to discuss the other information as requested.

Mr. Shinn informed the committee that the staff philosophy on the budget is that this will not be an easy year because there is not a lot of money available, and it will be hard to determine how much money is going to be available because of the uncertainties Mr. Kohnen had mentioned, contract negotiations, and the on-going process of the Comprehensive Service Redesign, to name a few. He told the committee that the staff will not give them a budget that is 150% of what is needed, throwing in extra consulting fees, etc., just so the committee can throw them out, but that the aim of the staff is to work together with the committee to come up with a final budget that is a reflection of the needs of the District.

In discussing the Transit Development Program, Mr. Shinn informed the committee that the TDP provides an annual assessment of what the District wants to accomplish, initially from the staff's viewpoint, and provides also the initial information for the budget process. He then called the committee's attention to the overview of the division programs on page 23 of the TDP, and explained that the programming process started in January. Each of the seven or eight division heads (two levels removed from the

General Manager in the operating process) evaluated what has occurred to date and what will be needed to make LTD efficient and effective. These evaluations were reviewed by the department heads and the General Manager. Each division had developed a request for expenditures, and the review matched those requests with revenue. Mr. Shinn informed the committee members that at the next meeting they would be given a draft budget based on those requests and the review of those requests, and that reading the section of the TDP on division programs might help answer questions throughout the budget process.

Mr. Shinn also said that toward the back of the TDP are the division action plans, which provide a more detailed description of what will be done in each division during the entire year. He added that programming is tied to the budget and that any significant changes in the budget will significantly change the programs and will affect what can be accomplished by the District in the coming year.

Ellen Bevington, Planning Administrator, next spoke about the services planning portion of the TDP. She explained that the Comprehensive Service Redesign had been a major work activity for the year and was incorporated into the TDP last year. It is now in its final phases, and the purpose has been to take stock of where the District has been over the last ten years and to make the best changes with the least impact on the patrons.

In giving a short history of the Comprehensive Service Redesign (CSR), Ms. Bevington informed the Board that it had begun with an outside consultant looking at assumptions regarding LTD's routing system. It was decided that the District's basic approach to routing is the most effective due to the resources and street design. The Board then gave the staff guidelines to use in the CSR, and the staff developed alternatives for each of seven neighborhoods, and took those alternatives to the public hearings held in each neighborhood. Ms. Bevington said that the District now has an alternative system which will be unveiled at the Transit Fair on April 4, and that, following the Transit Fair and the public's opportunity to comment on the new system, there will be a Board work session on April 7, with adoption of the system to occur at the regular Board meeting on April 21, 1981.

Ms. Bevington then called the committee's attention to page 52 of the TDP--Impacts of Financial Projections on Service Levels. She said the new system has been designed to be expanded or contracted, and the present recommendation for service has been based on the amount of money the staff thinks will be available and is subject to change with a change in revenue. However, she said, the basic integrity of the service redesign will be unchanged, aside from allowing for more or less service. She added that the role of the Budget Committee in the service redesign would be to react as interested citizens, and then the staff will plan for the amount of service to finally be offered as a direct result of how much money is allocated in the budget process.

Ms. Bevington also directed the committee to page 70 of the TDP, regarding future projects. Four projects she mentioned were (1) finding a solution to the downtown Eugene transit station; (2) replacing of coaches that are old and costly to operate (involving planning and grant applications, but not expenditures in this fiscal year); (3) retrofitting of the 500 series buses to comply with Section 504 guidelines; and (4) conducting a feasibility study for a new maintenance facility.

Paul Shinn then called the committee's attention to the table of contents in the TDP, and said that all parts of the TDP affect the budget in one way or another. Next he spoke about the Goals and Objectives section beginning on page 17 of the TDP. He said that last year, for the first time, the TDP included 10 measurable goals, and that this is the first time the staff have been able to look back at the TDP and measure their progress. These goals relate to the budget process, he said, because manipulation of the budget can affect almost any one of the measurable goals.

He went on to say that the service planning section is important because in the past the District has always been able to expand service when the public needed it. At this time, however, staff and Board members are talking about how to improve service without more revenue, and this may be the case for the next few years. He added that accessible service will be an important project, that pricing policies are a big part of the budget, and that capital planning and financial statistics will be important to the budget process. Mr. Shinn then asked for questions from committee members regarding the TDP or the budgeting process.

Mr. Hamilton asked how negotiations are handled, to which Ms. Loobey responded that the management negotiations team consists of a chief negotiator who is a representative of Cascade Employers Association in Salem (Bob Hewitt), Tim Dallas, David Harrison, and other members of the staff as they are required for different issues. The process will be to explain to the Board what might be expected at the table and then to seek guidance from the Board as the negotiations progress. The Board members and the General Manager will not be actively involved in the actual negotiations, she added. Ms. Loobey further stated that the present contract will expire June 30, and that active negotiations at the table will begin within two to three weeks.

Joan Rich asked what the staff's best guess would be regarding operating assistance funds. Ms. Loobey replied that the best guess is that the operating Section 5 funds are programmed to cease within three years, starting with the next fiscal year. The intent on the part of the administration, she said, is to shift emphasis/recipients from those who have been eligible in the past to those areas with the greatest density. She thought that the Section 5 funds would involve about \$110 million as compared to \$800 million for this coming fiscal year. She added that Congress had not acted on this issue, so there is no way to know for sure what the outcome will be. The District received \$867,000 this fiscal year, and staff are projecting that \$600,000 will be received in the next fiscal year.

In answer to a question, Ms. Loobey said that the District has not received Section 5 money for this fiscal year but LTD has been authorized to draw on the funds. In response to other questions, she said that the Section 5 operating assistance funds are for particular operating expenses (fuel, etc.), and that the District is reimbursed dollar for dollar up to a maximum amount. The Section 3 funds are capital funds and can be used only for capital improvements (bus stop signs, facilities, etc.). These funds have been granted on an 80-20 basis, and since 1974, the state has provided 10% of the local matching funds, the District has paid 10%, and the Federal funds have provided 80%.

Paul Shinn remarked that the District's operating budget has gone up a lot in the last years but that Section 5 funds have not, and that now the Section 5 funds comprise about 10% of the District's operating budget. He said that in the phasing-out period over the next three years, LTD will lose about 3% of its operating budget, so the District will be in fairly good shape, as compared with other districts in which the Federal funds make up a higher percentage of the operating budgets.

Mr. Shinn then called the committee's attention to his two memos at the front of the agenda packet. The first one, on the budget process, includes things the District runs into every year, and contains a portion of the budget law that relates to what the budget committee does. The memo also includes a section on other projects that will affect the budget, and a section containing committee meeting agendas and dates.

Mr. Hansen stated that last year, during the committee meetings, the committee looked at two or three of the departmental budgets each week and reserved the right to go back to them at a later date. The consensus of the staff and committee members was that this process worked well last year.

Mr. Shinn asked that the committee agree to the weeks he had listed for meetings and give him input on their schedules so that he might schedule the meetings to insure the largest turnout. At this point, the committee members took time to fill out the meeting schedule sheets that Mr. Shinn provided. It was mentioned that May 25 is Memorial Day and no meeting should be scheduled on that date.

Mr. Hansen then asked if the new committee members had looked at the forms beginning on page 35 of the agenda and if they had questions on how last year's budget was reached. Mr. Shinn explained the form, saying that the State Department of Revenue required that for the previous year the District had to give the budgeted amount rather than the actual amount, which does not give the Budget Committee a reasonable idea of what happened. On the forms for the committee, he added a "projected" column, which is close to the actual amount.

Mr. Shinn then directed the committee's attention to his memo on page 25, and explained briefly some of the graphs included with that memo.

Carolyn Roemer asked a question regarding the price of gas fluctuating in the future, to which Mr. Shinn responded that gas seems to be plentiful and that people seem to be willing to pay the asked price. He commented that the District's ridership seems to change when people become scared about the availability of gas, not the price. Ms. Roemer said she thought it would be a good idea to survey the local gas stations and oil companies, but Mr. Hansen responded that a lot of them don't know what their allocations are going to be. Tim Dallas remarked that the one thing being mentioned now is that there will be regional strategies on availability and prices, sort of like regional "gas wars."

Mr. Kohnen asked the staff to explain the relative usage of gas and diesel. Mr. Shinn said the District has 86 buses, 28 of which are gas powered, and the remainder of which are diesel. Tim Dallas said that there is a shift away from the gas powered buses toward the diesel, to either a 65-35 ratio, or even as high as 70 to 30, because of putting the 700 series into service and shifting away from the gasoline powered twin coaches. Ms. Loobey commented that the relative prices of the two commodities are about the same now, and Paul Shinn reminded the committee that the staff will usually be talking about the wholesale price for fuels.

Mr. Hamilton asked a question about the Table 5 ridership patterns, and how trends have been over the year. Mr. Shinn replied that ridership has been pretty close month-by-month, but that there is usually a drop in the summer. In 1979-80 there was a big gain in the fall but this year it was back to the standard pattern, probably because students switched to another form of transportation (bicycles) when they decided that to ride the bus wasn't economical. When gas was not available and fares were low, ridership was very high.

Mr. Kohnen stated that it might help the committee for staff to explain the revenue sources listed on the chart on page 35 of the agenda packet. Mr. Shinn began with Passenger Revenue on line 8 of the chart. He said the difference in budgeted and projected revenue is there because the District was "surprised" by people who quit riding the bus last fall, but that it is up again now. He thought that changes in the CSR to more direct rides and to a higher quality of service, even if the District has to cut total service, would attract possibly 5% more riders. On line 9, Charters, Mr. Shinn explained that the District is restricted in what it can do with charters, but that this year there are a few more buses, so the staff hope to do more in this area. Regarding Advertising, on line 10, he explained that all advertising has been inside the buses but now the Board is working on an outside advertising program. If that program were to begin by May or June, the District would see some additional revenue yet this fiscal year. The advertising program would guarantee the District about \$36,000 next year. Mr. Shinn said that the Miscellaneous column on line 11 covered things such as selling old office equipment, etc. This year it was high because the District bought property with rental units, and continued to rent those units until they were needed by the District.


In Non-Operating Revenues, the Interest figures on line 16 involve money that is made in the Local Government Investment Pool when the District has the funds. Mr. Shinn stated that LTD generally receives \$800,000 operating assistance at one time, so there could be a lot of money in the LGPI, or we sometimes could be in debt. On line 18, Payroll Tax, the figures show that the payroll tax is down this year, which is due to the local economy being down. Ms. Shinn said that about 67 or 68% of the District's operating revenue comes from the payroll tax, which is now at the legal limit of 6/10%. He added that the first quarter this year represents last spring, which was an unqualified economic disaster for the local area. The economy is starting to pull out of it now, he said, but locally we are now getting back into mill closures, etc., which will show up the first quarter next year. Line 19, SAIF Adjustment, shows the money the District will beg back from SAIF for good performance on insurance claims. Mr. Shinn told the committee that the District gets money back because it has an exemplary Workers' Compensation loss ratio.

Mr. Shinn went on to explain that the Governor's in lieu of payroll tax bill would make the state an employer for taxing purposes. The House has passed the bill to set up the mechanism, but the appropriations bill has not been acted on and the prospects don't seem encouraging, because the House is not in favor of creating new taxes.

Mr. Hansen asked the committee members what they thought of stopping all committee meetings at a certain time, instead of letting them go on and on. Two committee members said they would like to catch the 10:10 bus from downtown, and the consensus was that the members would like to work until a 10:00 p.m. deadline and then stop.

It was announced that the next meeting would be two weeks from this meeting. Paul Shinn said he would try to get back to the members by Monday to let them know the next meeting date, after he had received and considered all their meeting preference forms.

The meeting was adjourned at 8:50 p.m.


Secretary