

MINUTES OF BUDGET COMMITTEE MEETING

LANE COUNTY MASS TRANSIT DISTRICT

April 14, 1981

Pursuant to public notice to the Register-Guard for publication, a meeting of the Budget Committee of Lane County Mass Transit District was held at the City Hall in Eugene, Oregon, on April 14, 1981, at 7:30 p.m.

Present:

Board Members

Richard A. Booth, Secretary
Daniel M. Herbert, Vice President
Kenneth H. Kohnen, President
Carolyn Roemer

Appointed Members

Carol Erbe
Emerson Hamilton
Richard Hansen, Chairman, presiding
Joel Kaplan
Joan Rich, Committee Secretary
Ronald Schmaedick
John DeWenter

Paul Shinn, Acting General Manager, Budget Officer
Jo Sullivan, Recording Secretary

News Media Representatives:

Marvin Tims, Eugene Register-Guard
Ben Lesser, KVAL-TV

Absent:

Ted J. Langton, Treasurer
Robert C. Loomis
Glenn E. Randall

INTRODUCTORY REMARKS BY COMMITTEE CHAIRMAN: The meeting was called to order by Richard Hansen, committee chairman. He said the committee would be addressing two areas in depth that evening: Administration, and Marketing and Planning. He suggested they look at the proposed income before going on to the expenses. He reminded the committee members that the Budget Committee cannot set policy, and said he hoped they could try to avoid discussing policy decisions, since that is the responsibility of the Board.

AUDIENCE PARTICIPATION: Clark Cox, of 1085 Patterson, Eugene, commented on Eugene Planning Commission's attempt to prohibit the District from exterior advertising on the buses, which would delete a great deal of income for the

District. He said that he originally did not like the idea of advertising on the outside of the buses, but now has seen Tri-Met's advertising, and thinks it can be well done and is a good idea.

VOTE APPROVAL OF MINUTES: The minutes of the April 2, 1981 Budget Committee Meeting were unanimously approved as distributed.

MEETING DATES: Paul Shinn called the committee's attention to the schedule of meeting dates on page 8 of the Agenda packet. He said that input from the committee members had indicated that most would be able to attend on those evenings, but that changes could be made if there were any real problems.

PRESENTATION OF BUDGET PROPOSAL: Paul Shinn directed the committee to his budget message on page 11 of the Agenda packet, and explained that the budget is an interpretation of the Transit Development Program (TDP), that the TDP and budget are fairly interchangeable. He said the staff expect a change in the bus service of about 5% less than in the present, and that the Comprehensive Service Redesign was designed with that reduction in mind. He mentioned other major changes in the funding as (1) beginning the phase-out of Dial-A-Bus; (2) training program in Operations; and (3) capital improvements, such as the transit stations and retrofitting buses with lifts to make service more accessible. He said he did not expect revenue from payroll taxes or fares to increase significantly next year, and that besides the uncertainties regarding revenue, personnel costs are uncertain because of contract negotiations which are just beginning. He also said that personnel costs for contract employees are budgeted at basically the same percentage in the overall budget that they are now (with a 3% to 5% increase). Mr. Shinn mentioned, too, that the staff salary needs are also undetermined; a salary subcommittee has been appointed to study non-contract staff salaries, and any increase in staff salaries or in contract wages will necessitate drawing on the capital reserve fund. He added that the salary amounts are based on a drop from 235 to 203 personnel, most of which was accomplished in January with layoffs.

Mr. Shinn explained Exhibits A through C of the Agenda packet, which included comparison of the budget to 1980-81 actual figures, wage and salary schedules, and a breakdown of where the District makes expenditures.

Mr. Shinn then directed the committee to the section of the Agenda from page 56 on, which gives detailed information on the budget for the two departments to be discussed that evening. There were no questions on how the overall budget was put together, so Mr. Hansen suggested the committee look at the District income before reviewing the two departmental budgets.

Mr. Shinn explained that the District has three major sources of revenue: (1) passenger fares, (2) payroll taxes, and (3) Federal operating assistance. Regarding the first, he said that the District anticipates a five percent drop in service, but the staff feel that there will be fairly stable ridership because of the nature of the changes, with more emphasis on high productivity travel times as opposed to weekend, evening, and less productive travel times. He

said that if there were a 25% increase in gasoline prices, the District may see more like a 10% ridership increase.

Mr. Kaplan asked if revenues are better since the fares were increased. Mr. Shinn responded that the money is greater, but ridership is not on the path to recovery. In the past, after similar fare increases, he said, it took about 16 months for ridership to recover, but this time ridership is not expected to be fully recovered in that period of time. However, general increases in gasoline prices and better service will help ridership increase, he thought.

Mr. Schmaedick asked a question regarding the fare breakdowns in the budget. Mr. Shinn replied that the TDP, on which the budget is based, recommended that fares stay the same this year and then go to 65 to 70 cents. Mr. Schmaedick then asked regarding setting higher fares and gaining income. At this point, Ms. Rich commented that she would prefer to wait until the committee had gone through the budget, and said this subject was getting into the area of policy setting. Mr. Booth commented that there had been a 25% increase in fares over this year and that he felt the increase had been productive for the District.

Ms. Rich asked if the budgeted amount for advertising revenue was an uncertain amount. Mr. Shinn explained that the Eugene City Council will make a final decision on advertising the night before the next budget committee meeting, and staff will have time to talk to council members regarding that subject prior to the City Council meeting. Mr. Bergeron, Marketing Administrator, added that the delay in beginning the advertising program is costing the District \$3,500 to \$4,000 per month, and that the program may not begin until July. He added that some advertisers have said the controversy has "scared them off."

Mr. Kohnen asked how the \$39,500 amount was arrived at for advertising revenue. Mr. Shinn explained that the contract minimum has been adjusted to exclude 17 Dial-A-Bus and reserve buses that will not carry advertising, and that this estimate is based on a whole year's minimum and should probably be adjusted for the delay.

MOTION

Mr. Herbert moved that the Budget Committee support the concept of outside advertising on the buses to help balance the District budget, and inform the City Council of that decision. The motion was seconded, and Mr. Kaplan said that although he supported the concept, he would abstain from voting because his firm acts as City Attorneys. The question was put and the motion carried with 10 votes in favor, and Joel Kaplan abstaining.

VOTE

It was decided that Ed Bergeron would draft a letter for the committee chairman's signature to send to the Eugene City Council regarding the above motion.

Regarding the second major source of District revenue, the employer payroll tax, Mr. Shinn detailed the quarterly revenue for this fiscal year, and

said that the staff expect to receive approximately \$4,728,000 for the current year. Due to increases in wage levels and slight increases in employment, the anticipated revenue for next year is \$5,236,000, which is more optimistic than previously expected.

In answering a question regarding Federal operating assistance, Mr. Shinn said that President Reagan is calling for the same amount of operating assistance over the country, but with a reduction for smaller cities and larger amounts for larger cities. He said there have been no specific dollar amounts mentioned, except that Les Aucoin feels we should be able to plan on about two-thirds of what we receive now.

Mr. Booth mentioned the potential employer tax revenue from public employees. Mr. Shinn explained that he chose not to budget that. There is not yet an estimate of what the revenue from all districts would be, but it is known that the state's payroll alone would bring \$450,000 to the District. He added that the House does not want to raise taxes, and if they don't, the Governor will ask them to drop his in-lieu-of-payroll tax program.

Mr. Booth also commented that Mr. Shinn was correct in trying to be conservative in his revenue estimates, but thought the committee should discuss what might be appropriate if the District does experience more revenue than is anticipated. Ms. Rich said she assumed from the Comprehensive Service Redesign that the District could return service if revenues were greater than anticipated. Mr. Shinn said that the budget process will be for the committee to develop a budget based on a certain figure and then for the Board to appropriate that amount. The District cannot spend more than that amount unless the Board appropriates more, which they could do on their own or through the Budget Committee in a supplemental budget. He added that the Board has developed a number of steps that need to be followed first, and that the final budget will be based on what the committee thinks is appropriate plus the Board's guidelines.

Mr. Booth then commented that the District has been accused by the public of spending all the money it can tax for and that the payroll tax payers want a reduction in the payroll tax. He suggested that the Budget Committee make a recommendation as to how they feel about the payroll tax without getting into policy considerations. Mr. Hamilton agreed that it would be appropriate to recommend to the Board that if more revenue than was previously expected is received by the District, the payroll tax level be offset by that amount. Ms. Rich noted that such action should not be taken until lost service is restored to the public.

Mr. Schmaedick said he thought the staff had done a commendable job of changing routes to provide service, and that it is important for the committee to endorse that. He said LTD should continue to move along the lines that the staff had developed this year, rather than going backwards as far as service is concerned.

In beginning discussion of budgets for the Administration and Marketing and Planning departments, Mr. Shinn stated that staff salaries have to be recommended by the salary subcommittee and adopted by the Board. He said he used the status quo in the Administration department breakdown. Mr. Hamilton asked why salaries are up, to which Mr. Shinn responded that step increases have been given, there was a 5% cutback in January, and some vacancies occurred in the last year or so, which meant that the whole budgeted amount was not spent.

After some discussion, it was decided that the retirement figures throughout the departments for 1980-81 may be too low, and that Paul Shinn would re-figure them.

Mr. Schmaedick asked if retirement is vested from the date of employment. Mike Merrell, Accountant, responded that there are two retirement plans. For the contract employees there is a fixed contribution plan, with a percentage based on hours worked, and vested at the rate of 10¢ per hour. For the salaried staff, there is a fixed benefit, vested at the rate of 10% of the 9% contribution per year for the first ten years and then 100% vested.

Mr. Shinn told the committee that the change in the budget for SAIF is because the District is not paying the standard premium anymore. Rather, LTD pays claims costs and roughly \$5,000 in service charges. He added that the service charge was put into the Administration budget because Administration pays the charges for all employees, but that the Transportation department SAIF figures will off-set this figure.

Mr. Hansen asked if he was correct in understanding that salaries would be adjusted, but not by the Budget Committee. Mr. Herbert responded that the salary subcommittee will make a recommendation to the Budget Committee, which will then go before the Board. Mr. Hansen asked if the Budget Committee's involvement could be to decide whether or not they wanted to fund a certain position, and Mr. Kohnen answered that it could.

Next a line-by-line explanation and discussion of detailed budget requirements as listed on pages 36 and 56 of the Agenda packet occurred.

Mr. Hamilton asked a question regarding the expenses for OTA, and Paul Shinn responded that three-quarters of OTA's effort is in lobbying.

Mr. Kaplan asked if the tuition reimbursement program is used. Mr. Shinn told him that \$1,200 were budgeted for the current year, but only about \$900 were used. Mr. Schmaedick asked what the high dollar amount would be for employees in this program, and if the employees reimbursed the District if they quit within a short period of time after taking classes. Mr. Shinn replied that employees are limited to one course per year unless there are no other applicants, and that there is no provision for employees to reimburse the district upon termination of employment within a short period of time after taking courses.

Mr. Hamilton asked why the training and travel budget for the Administration department went over the budget amount, to which Mr. Shinn responded that there were two main reasons: (1) David Harrison attended a two-week Human Resources class in Philadelphia, of which 80% was paid by UMTA and is shown on the revenue page of the budget, and 20% of what is shown on page 26 was paid by the District; and (2) Phyllis Loobey was appointed for two committees for APTA, the Small Operations committee and the Meeting Sites committee, both of which involved extra travel.

Mr. Hansen thought that the APTA figure was a large amount of money to pay to belong to an organization. Paul Shinn agreed that it is high, but it is the District's only organized link with Federal groups and other transit districts, and that the staff feel the membership has been useful to LTD. He added that the dues are based on a percentage of the operating budget.

Mr. Hansen asked for a motion to approve the Materials and Supplies budget for the Administration Department. Mr. Kohnen asked, as a point of order, if approval would be tentative and able to be changed later. Mr. Hansen said he would hope the committee would give tentative approval and make modifications where needed later.

MOTION

Mr. Hamilton stated that he was concerned about the figure for training and travel, and thought that \$2,000 could be deleted from that budget. He moved that the committee approve a total Administrative Materials and Supplies budget of \$75,000, with the emphasis on reducing the training and travel budget. Mr. Schmaedick seconded the motion.

Ms. Rich commented that such a move seemed arbitrary, and that she remembered Phyllis Loobey telling the committee last year that training and travel afford an opportunity for staff to obtain more experience, and that LTD hires staff without experience in order to keep expenses down. She said that unless there is a shortfall, she didn't think that money should be taken away.

John DeWenter asked how training and travel priorities are selected. Mr. Shinn replied that for Administrative expenses, the staff relies heavily on APTA because Ms. Loobey is involved. The rest are all reviewed by Ms. Loobey and the supervisor, and local opportunities are researched first.

VOTE

The question was put, and the motion carried seven to four, with Herbert, Kohnen, Rich, and Roemer voting against the motion.

In discussing the Consulting Fees budget for Administration, Mr. Booth asked about the large amount of money budgeted for an alternative site analysis for a maintenance facility. Paul Shinn explained that this item was in last year's budget as Federal funding but the funding was not approved because it is a planning rather than operations item. The Board approved a study pending funding. He went on to say that the staff would not begin work on the project until funds were budgeted, and that the amount requested is based on an estimate from one source. Staff expected that most Eugene area architects would give about the same estimate.

Mr. Kaplan noted that an extra \$10,000 over the previous year's budget was budgeted for interest. Mr. Shinn explained that in previous years the District has had lots of money in the capital reserve fund, but that this year not much money will be carried over, so the District won't be able to borrow money without going to the bank and paying interest. He said that the problem is one of cash flow, and that there is no long-term debt to carry over from year to year.

Mr. Hansen and Mr. Booth expressed further concern about allocating \$50,000 for the alternative site analysis, and wondered whether the Board would decide the necessity of the study if the subcommittee approved funding it, and whether the committee should approve funding on a contingency basis. Mr. Shinn said that approval would be based on Board approval of someone signing an actual contract.

MOTION

Mr. Schmaedick moved that the committee approve the Contractual Services section with the specific exception that the \$52,000 line item for Consulting Fees be carefully reviewed and approved by the Board, with some wording that more of the work can be done in-house. The motion was seconded, and Mr. Herbert informed the committee that he is on the committee that has reviewed the progress so far, and the intention of what would be done under this study is not to select and fund an ideal site; rather, the intention is to look at what is available, realizing what the requirements are and the consequences of being close to or far away from certain sites. The question was put and the vote was unanimous in favor of the motion.

VOTE

The committee then began review of the Marketing and Planning budget, beginning on pages 38 and 62 of the agenda packet. Mr. Shinn told the committee that this department is composed of three divisions: Marketing, Planning, and Customer Relations. He introduced Ed Bergeron, Marketing Administrator, and Ellen Bevington, Planning Administrator.

Ed Bergeron said that he would like to highlight two areas of the budget: (1) personnel, or number of staff, which is projected to be 25% below the number of staff in Marketing one year ago, and leads to a trade-off with some of the division's effectiveness; and (2) Advertising Media, listed on a program-by-program basis on page 67, in which reductions had been made but because of impending rate increases for advertising media there is a slight increase.

Ellen Bevington directed the committee's attention to the Personal Services category on page 62, and said that there is a proposed reduction of 3/4 of a position in the entire Marketing and Planning Department. The Planning Division is recommending an extra one-half position for Service Analyst, to make each half-time Service Analyst position 3/4-time, partially due to the potential increase in workload created by some of the division's projects. She said that the staff are looking at a shift to more in-house marketing research and that the two Service Analysts, Stefano Viggiano and Leon Skiles, have the necessary abilities for that and would be loaned to the Marketing division for part of the year.

Ms. Bevington also explained Appendix A on page 69, showing which projects take what number of hours during the year, tied specifically to projects undertaken by the division.

Mr. Shinn discussed the Customer Relations Budget, and explained that that division includes telephone information services, the downtown Customer Services Center, and spare time clerical work, including counting transfers, fare revenue counts, etc. He said that in the current year one information clerk position was cut by cutting evening hours, and it is planned to cut those services again during less-busy telephone times, etc. He added that there is not much change in their materials and supplies budget.

Mr. Shinn directed the committee to the combination of divisions' budget breakdown beginning on page 62. He said that the overall Department decrease of 3/4 position involves dropping one-quarter position for Marketing Representative, dropping one Information Clerk position, and adding one-half position for Service Analyst. He added that the Marketing and Planning Department is without a Director, which is scheduled to be filled by the District's regular search policies. The Director's position, he said, is basically broken down into half-time public relations work and half-time supervision of the department. The position was vacant as of last October and was not filled because of service cut-backs. He explained that the Director of Administrative Services, the General Manager, and the Director of Operations each took one division to supervise in the interim, which means that some of the public relations work and some of the coordination within the department is not being done at the present.

Mr. Kaplan asked if the extra time worked by the two service analysts was all for the Comprehensive Service Redesign, or if there is still a need after the CSR for more time in that position. Ellen Bevington explained that a lot of work will need to be done on implementing the CSR, working with the program for the handicapped, etc.

Mr. Schmaedick commented that he was pleased with what Ed Bergeron and Ellen Bevington had accomplished, and expressed the concern that if the District hired a full-time director for the department, they might be hiring an "empire builder." Mr. Booth agreed that the position should be allocated among people who already work for the District instead of hiring a Director, but Ms. Rich wondered whether the portion of work that is not being done at the present is work which is necessary and should be getting done. Mr. Hansen expressed two ideas: (1) that presently there is a stable marketing program and Ed Bergeron has filled the position well, so maybe the extra money could be spent somewhere else; and (2) he wondered if all the programs being anticipated are things the Board wants done, so that approval of extra planning positions would be necessary.

Following a question by Mr. Hamilton regarding benefits, Mr. Shinn explained that the District pays \$130 per employee per month for medical/dental benefits, but budgeting for next year includes about a 10% increase, or \$145. He added that partial coverage is offered for dependents. It was explained that having a separate benefit plan for salaried employees had been looked at,

but was rejected because it is not cost-effective to cut about 30 employees out of a benefit program, and it is not wise to offer management staff less in the way of benefits than is given to the contract employees. Mr. Shinn added that the benefit plan was put out for bid in the fall and a reduction from the carrier was obtained.

MOTION

Mr. Schmaedick moved that the Budget Committee refer the whole Personal Services category back to the staff for reevaluation of the recommendation to fill the position of Director of Marketing and Planning. He commented that Ed Bergeron and Ellen Bevington had done a fine job in the last year, that the two divisions are closely intertwined but that he didn't want them to go too long without a Director, and that Phyllis Loobey and the staff should decide if they can do without a Director and use the money somewhere else.

VOTE

Mr. Booth seconded the motion, and the vote was unanimous in favor of it.

In beginning discussion of the Materials and Supplies budget for the Marketing and Planning Department, Mr. Shinn stated that none of the items increased to any great degree. He said the staff are trying to print less but costs are rising. Mr. Kaplan asked a question regarding the decrease in the consulting fee. Mr. Shinn responded that for the market research consultant category last year staff budgeted \$18,000, but next year, with an additional one-half Service Analyst position, the staff want to do most of that research in-house, and only pay a professional researcher to look at our methods, surveys, etc, to see if those tools will give the District valid results.

Regarding the University of Oregon Routing Study, Ellen Bevington explained that the University of Oregon is one of the District's major resources and that 7% of our ridership is from the UO. However, she said, the District spends an extra \$23,000 per year on operating expensed to and from the University of Oregon, due to the complex travel area, the closing of 13th street, etc.

At this point, Clark Cox requested permission to speak as Secretary of the West University Neighborhood Association. He expressed agreement with Ellen Bevington's concerns regarding University area travel, and said that the West University Neighborhood Association members believe that finding a solution to the problem at the University of Oregon would also help transportation problems in the area around Sacred Heart and in the rest of the neighborhood.

Mr. Herbert agreed that this is a crucial area and deserves an in-depth study.

Mr. Hamilton asked a question regarding in-house printing, to which Mr. Shinn responded that the District contracts out (puts out for bid) everything which cannot be done through the city's printing department.

MOTION

Mr. Kohnen moved that the committee approve the Materials and Supplies budget. The motion was seconded and passed unanimously.

VOTE

In discussing Contractual Services for the Department of Marketing and Planning, Ms. Rich asked why the District planned to phase out Dial-A-Bus and pay someone else to provide the service. Ms. Bevington said that was included in the Board's guidelines, and that it will be cheaper not to provide the service ourselves. Ms. Bevington added that a non-profit contractor is one of the directions the service could take; the Red Cross or other agencies are eligible for Federal funding to provide equipment for the service.

Mr. Hamilton asked what is included in the planning portion of Miscellaneous Services in this budget. Mr. Shinn responded that most is for part-time work for survey work, part is for contracting with Lane County or someone else for data sorting, and information obtained is used by planning to make route changes, etc., and by the Board for their background information in making decisions.

Mr. Hamilton then remarked that he felt uncomfortable spending \$1 million in order to generate \$1,700,000 in revenue. Mr. Booth said he also was concerned about the amount of money spent compared to revenue generated, and that it looked to him as if the District was spending 20% of ridership income in order to generate ridership income. He asked if that was a high percentage in retail businesses, and Mr. Hansen remarked that retail businesses may spend about 5% of gross revenue. Paul Shinn commented that he thought service industries in general are higher.

Ed Bergeron said that in real dollars the budget is less than what is being spent this year, because of inflation, and that the introduction of streamlined service will save the District a lot of money. He added that all programs are designed to help build ridership for increased revenue for the District, and that all special services or new programs need to be promoted at the time they are introduced.

Mr. Kaplan asked regarding the \$79,000 figure for Dial-A-Bus. Mr. Shinn replied that that is an arbitrary figure, that he used 30% of the Dial-A-Bus budget, in the hopes that the District will phase out 30% of service this year. He added that the Dial-A-Bus phase-out should take about two years.

MOTION
VOTE

Mr. Herbert moved that the items in the Contractual Services category be approved. It was seconded, and the motion carried 8 to 2, with Booth and Hamilton voting against the motion, and Schmaedick abstaining.

ADJOURNMENT: There being no further discussion, the meeting was adjourned to Tuesday, April 28, at 7:30 p.m. at the Eugene City Hall.


Secretary