

MINUTES OF BUDGET COMMITTEE MEETING

LANE COUNTY MASS TRANSIT DISTRICT

MAY 26, 1981

Pursuant to public notice to the Eugene Register-Guard for publication on May 16, 1981, a meeting of the Budget Committee of Lane County Mass Transit District was held at the City Hall in Eugene, Oregon, on May 26, 1981, at 7:30 p.m.

Present:

Board Members

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

Appointed Members

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

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

News Media Representative:

Rosemary Reed, KVAL-TV

Absent:

Robert C. Loomis
Glenn E. Randall

Emerson Hamilton

INTRODUCTORY REMARKS BY COMMITTEE CHAIRMAN: Richard Hansen, Committee Chairman, reminded the Budget Committee members that the next day, Thursday, May 27, at 12:30 p.m. in the McNutt Room at City Hall, the City Council and the Planning Commission would be holding their joint meeting regarding exterior advertising on the District's buses. He explained that the joint meeting is a requirement when the City Council overrules the Planning Commission on a decision.

Mr. Hansen added that he hoped there could be an official motion that evening to approve the budget.

APPROVAL OF MINUTES: In discussing the minutes of the April 28, 1981 Budget Committee meeting, Mr. Booth said that on page 8, fifth paragraph, fourth line, the words "wages and" should be deleted, because he was only speaking about contract benefits, not wages and benefits.

MOTION There were no other corrections to the minutes, and Mr. Langton moved, seconded by Ms. Rich, that the minutes of the April 28, 1981 meeting be approved as corrected. The motion carried unanimously.

MOTION Mr. Booth then moved that the committee approve the minutes of the May 4, 1981 meeting as distributed. Mr. Langton seconded, and the motion carried unanimously.

PUBLIC HEARING ON PROPOSED BUDGET: The meeting was opened for public testimony on the proposed budget. There was no comment from the audience, and the public hearing was closed.

BUDGET COMMITTEE DELIBERATIONS:

Recommended Budget Changes: Mr. Hansen suggested going to the second item for deliberation, Recommended Budget Changes, and then going back to the first item later. Paul Shinn directed the committee's attention to page 45 of the agenda packet, and explained that it discusses three changes staff are asking the committee to make. He said the first two changes are due to the fact that situations have changed since the beginning of the proposed budget, and the third is a format change, for which staff wanted to wait until the process was completed. He explained that the first item, FHWA Comprehensive TSM Program, is a grant that the District had not expected to receive, but that conceptual approval had been received. The grant is for \$100,000 for passenger shelters that would all be constructed next year. He said that basically this grant would supplant money that the District had planned on spending the following fiscal year, 1982-83; it trades one Federal grant this year for a different Federal grant two years from now. He said also that, on page 42 of the agenda packet for that evening, it would add a new line item for Revenue and Capital Resources, for \$100,000.

Mr. Booth mentioned that there is an item of \$6,340 that the agenda says the LTD share would be made by reducing capital carryover, but thought it should also be included in capital carryover from this year to balance that. Mr. Shinn agreed.

MOTION Mr. Booth moved that the committee approve all three items as suggested by staff, with the one correction he had mentioned regarding the \$6,340. Mr. Herbert seconded the motion.

Ms. Rich stated that she would like more information on expenditures for risk management. Mr. Shinn explained that basically all of the expenditures were taking place by moving them from the General Fund to the Risk Management Fund and segregating all the District's insurance expenses out of the General Fund and into a fund that is more like a self-contained insurance fund or insurance company. The reason for this fund, he said, is to make it easier to determine what liability is costing and how it is being paid for. A second reason is that it is easier to carry over reserves against liabilities

that have been incurred but not yet paid in a special fund than it is in the General Fund. He remarked that the premium is still being paid, but from a different fund.

In answer to a question from Mr. Langton, Mr. Shinn explained that the \$70,000 figure came from the Board transferring \$150,000 into the Workers compensation fund at the May meeting, and that it is an estimate of what will be left over after the District pays claims for 1980-81 and transfers any excess into the general fund. If the entire amount is not needed, an adjustment will be made at the end of the year to determine how much is not needed, he said. The \$65,700 amount is basically to replenish the reserve.

Responding to further questions about why \$70,000 does not appear as a resource, Mr. Shinn said that if \$70,000 was taken out of the \$120,000 net working capital carryover; on the first page of the amended budget, change \$120,000 to \$50,000, and on page 44, reduce \$515,485 by \$70,000 (line 15), it would balance the item. He said that only \$150,000 is risk-related revenue; \$65,000 comes from any revenue item in the general fund--it was in the original fund as an expenditure.

Mr. Kohnen stated that expenditures had been reduced by \$215,700 and the net working capital had been reduced by \$70,000, and that he thought \$65,700 had to be transferred to the risk management fund. The working capital does not change. Mr. Shinn agreed that on page 31, summary by department, of the May 26 agenda packet, a new line was needed for the \$65,700 transfer to capital reserve fund.

Mr. Booth then restated his motion: he moved that the committee approve the staff recommendation with the exception of the last sentence on page 46 regarding UMTA Section 18 funding ("The LTD share of \$6,340 would be raised by reducing the capital carryover by that amount."). He added that this would be approving the staff recommendation on pages 45, 46, and 47 of the May 26 agenda packet. Mr. Herbert seconded the motion, which carried by unanimous vote.

VOTE

Marketing Division Budget: Mr. Hansen reminded the committee that in the minutes as approved, the committee had asked the staff to prepare a budget showing a reduction of \$34,000 in the Marketing division budget, for committee consideration.

MOTION

Ms. Rich moved that the committee accept the original Marketing budget proposal and not delete \$34,000. Mr. Kohnen seconded the motion. Ms. Rich went on to explain that she felt the general marketing budget was less than the projected budget for the last year. She said it didn't involve a raise in expenditures and she thought it would be dangerous to cut below that amount.

Mr. Booth thought the proposed reduction was reasonable, but said he thought the memo was one-sided and defamatory. He said he would be against the motion.

Ms. Roemer commented that previous budget committees had decided there wasn't enough public relations advertising being done and had increased the advertising budget. She wondered how the staff would carry on a continuous advertising campaign if the committee chipped away at the budget after having resolved to increase advertising.

Mr. Herbert remarked that he thought the \$34,000 proposed reduction had not been based on a thoughtful analysis. He said he was satisfied from the discussion that if that amount is removed from the budget, the District would become less effective in an essential Marketing function. He agreed that the tone of the staff memo had been unnecessarily strident and that, although he understood the urgency felt by the staff, he thought terms such as "irresponsible" could have been left out in order to concentrate on the facts.

Mr. Schmaedick pointed out on page 23 of the minutes from the May 4, 1981 committee meeting, the motion was made to reduce the budget by \$34,000, to bring expenditures within approximately 4% of the District revenue, which is closer to figures that eight different transit districts were spending. He said he had not wanted that figure to be as threatening to staff as it turned out to be, and although he voiced disappointment in the approach staff took in the memo, he thought the committee should put \$8,800 back into the printing budget and bring the \$34,000 figure to \$25,200, which he thought would be moving in the right direction.

Mr. Kohnen commented that at the previous meeting the staff were asked to prepare a statement showing the impact of the reduction, and perhaps the language in their report was overly strident in some cases, but he thought the staff opinion was very clear that cutting the budget would have a very bad impact on the District. He stated that the District could not force people to ride the bus, but had to make the system attractive and explain it to them, and must use every system available to do that. He went on to say that he thought the marketing budget should not be cut and that figures obtained from commercial business were not applicable. He said he would support the motion.

The question was called for, and the vote was 7 to 4 in favor of the motion, with Mr. DeWenter, Ms. Erbe, Mr. Herbert, Mr. Kohnen, Mr. Kaplan, Ms. Rich, and Ms. Roemer voting in favor, and Mr. Booth, Mr. Hansen, Mr. Langton, and Mr. Schmaedick opposed.

MOTION

Mr. Langton moved that the budget in the total amount of \$7,681,000, as amended, be accepted. Ms. Rich seconded the motion.

There was some discussion on non-contract salary levels. Mr. Hansen stated that labor negotiations were still going on and that some adjustments can be made within the framework of the budget by the Board when negotiations have

finished. Mr. Booth commented that waiting would probably be detrimental to administrative staff, since more money would probably be given to the union employees and non-contract employees would get what was left over.

There was also some discussion regarding use of the capital reserve fund in past years. Ms. Loobey explained that money had been borrowed from the capital reserve fund when it was available in order to save paying interest on warrants, and that when money is taken out of that fund, it is put back in. Mr. Kohnen stated that no money had been transferred from the capital reserve fund to spend on operating costs, which would be an illegal use of that fund.

After some discussion, it was decided that the correct figure for total expenditures on page 29 of the May 26, 1981 agenda packet (line 30) was \$7,461,900 rather than \$7,681,000. As a result, Mr. Langton withdrew his motion. Ms. Rich, the seconder, approved the withdrawal.

MOTION Mr. Booth moved that the Budget Committee approve a budget of \$7,361,900. Mr. Langton seconded the motion. Mr. Booth said he proposed \$100,000 less than requested because he thought the amount would still be plenty high, and said he would leave the decision regarding where to make budget cuts up to the staff.

MOTION Mr. Kaplan moved to amend the motion on the floor to have the Budget Committee approve a budget of \$7,361,900, with the \$100,000 difference to be taken out of the fuel budget. Mr. Schmaedick seconded the motion.

Mr. Kohnen stated that the world fuel situation could change at any time. He thought there may be room for a cut in the fuel budget, but suggested that the \$100,000 be taken out of the fuel budget and transferred to the capital reserve, in order to provide for the future. Mr. Kohnen then suggested voting on the amendment on the floor, and said that if committee members were in favor of reducing the total amount but putting that money into the capital reserve fund, they should vote against the present amendment.

VOTE The amendment failed on a three to eight vote, with Mr. Booth, Mr. Kaplan, and Mr. Schmaedick voting in favor and all others opposed.

Mr. Booth stated that he thought his motion was not in order because it did not balance the revenue. He and the seconder, Mr. Langton, withdrew the original motion.

MOTION Mr. Booth then moved that the Budget Committee approve the budget in the amount of \$761,361,900, with \$100,000 to be taken out of the fuels and lubrication expenditures and \$100,000 to be taken out of the payroll tax figures for revenue. Mr. Herbert seconded the motion.

Mr. Kaplan asked what would happen in the budget process if payroll taxes come out higher or lower than budgeted. Mr. Shinn responded that if the District received extra money, that money could not be spent unless approved

by the Board, and that would mean recalling the Budget Committee. Otherwise, there would be an unappropriated ending balance at the end of the year. If the revenue would be less than budgeted, he said, the District would be forced to reduce expenditures.

Mr. Hansen commented that he would vote for the motion because he felt the District would not receive the revenues it projected and he would rather have funds to carry over to the reserve fund than to be caught short of revenue expectations.

Mr. Booth said that he had assumed in his motion that the payroll tax rate would be reduced in addition to reducing the payroll tax revenue, but that he would be happy with his motion as it stood because he would like to put any extra money into reserve.

Ms. Loobey stated that in order to spend any money received over what was budgeted, the Budget Committee would have to reconvene; the money would not automatically go into the capital reserve fund.

Mr. Herbert asked what access the Board has to the money in the capital reserve fund. Mr. Kohnen responded that (1) the District can borrow money from capital reserve on a short-term basis, and (2) the money has to be spent for the purpose for which it was put into the fund, i.e., capital outlay and matching funds. Mr. Shinn stated that the line item on pages 30 and 31 of the May 26 agenda packet titled "Transfer to Capital Reserve" would be the only item that would automatically transfer to that fund.

MOTION Mr. Kohnen moved to amend the motion to delete the portion that would reduce payroll tax revenue by \$100,000, and to add that the \$100,000 taken out of fuels and lubrication be transferred to capital reserve, for a total budget of \$7,461,900. Mr. DeWenter seconded.

MOTION VOTE To end debate, Mr. Schmaedick moved the previous question, and Mr. Langton seconded. The motion carried eight to three, with Mr. Booth, Mr. Herbert, and Mr. Kohnen voting against and all others in favor.

VOTE Mr. Kohnen's amendment passed six to five, with DeWenter, Erbe, Herbert, Kohnen, Rich, and Roemer voting in favor of the motion, and Booth, Hansen, Kaplan, Langton, and Schmaedick opposed.

MOTION VOTE The previous question was again moved and seconded, and carried ten to one, with Mr. Booth opposed and all others in favor.

VOTE The vote on the motion as amended, that the Budget Committee approve a budget of \$7,461,900, with \$100,000 to be taken out of the fuels and lubrication budget and transferred to capital reserve, was then taken. The motion carried eight to three, with Mr. Booth, Mr. Langton, and Mr. Schmaedick opposed, and Mr. DeWenter, Ms. Erbe, Mr. Hansen, Mr. Herbert, Mr. Kaplan, Mr. Kohnen, Ms. Rich, and Ms. Roemer voting in favor of the motion.

MOTION Mr. Schmaedick stated that he would like to move to ask the legal counsel for the District to prepare a small (approximately two pages) report to the Budget Committee and Board spelling out the latitude and tolerances that the Board has to adjust the use of funds within the budgets of departments, the entire budget, and the reserves, and further, what authority and responsibility the Budget Committee has to bind the Board. Mr. Booth seconded the motion.

MOTION Mr. Booth moved that the motion be amended to say that any document given to the Budget Committee on this matter be written by staff and approved by the legal counsel. Mr. Herbert seconded, and the motion carried ten to one, with Ms. Rich voting in opposition and all others in favor.

VOTE

VOTE The vote on the motion as amended (that District staff prepare a small--approximately two page--report, to be approved by the legal counsel, spelling out the latitude and tolerances that the Board has to adjust the use of funds within the budgets of departments, the entire budget, and the reserves, and further, what authority and responsibility the Budget Committee has to bind the Board) was then taken. The motion carried unanimously.

MOTION Mr. Kohnen moved the approval of the capital reserve fund and the risk management fund as discussed. The motion was seconded and carried on a unanimous vote.

VOTE

It was decided that about 45 days after the close of the first quarter Mr. Shinn and Mr. Hansen would call a meeting of the Budget Committee, in order to review the District's budget performance for that quarter.

Mr. Kohnen stated that the Board would conduct a hearing on the budget at the June 30, 1981 Board meeting, and that Budget Committee members would be welcome. He also expressed appreciation to the Budget Committee Chairman and to all Budget Committee members.

Mr. Langton moved, and Mr. Booth seconded, that the meeting be adjourned. There was no further discussion, and the meeting was duly adjourned.

Secretary