

MINUTES OF ADJOURNED BUDGET COMMITTEE MEETING

LANE TRANSIT DISTRICT

Thursday, May 12, 2005

Pursuant to notice given to *The Register-Guard* for publication on April 24, 2005, and May 4, 2005, and at the May 11, 2005, Budget Committee meeting, and distributed to persons on the mailing list of the District, an adjourned meeting of the Budget Committee of the Lane Transit District (LTD) was held on Thursday, May 12, 2005, at 6:30 p.m., in the LTD Board Room at 3500 East 17th Avenue, Eugene.

	<u>Board Members</u>	<u>Appointed Members</u>
Present:	Susan Ban Debbie Davis Mike Eyster David Gant Gerry Gaydos Dave Kleger Dean Kortge	Russ Brink Dwight Collins Jon Hinds Dean Huber Charlie Kimball Maureen Sicotte Darrel Williams

CALL TO ORDER AND ROLL CALL: Committee Chair Russ Brink declared the meeting reopened from the previous evening at 6:30 p.m. Mr. Hamm called the roll. The following staff were also present:

Ken Hamm, General Manager
Mark Pangborn, Assistant General Manager
Diane Hellekson, Budget Officer
Carol James, Accounting Manager
Todd Lipkin, General Ledger/Grant Accountant
Sam Marra, Director of Maintenance
Mary Neidig, Director of Human Resources
Terry Parker, Accessible Services Manager
Jo Sullivan, Administrative Services Manager/Clerk of the Board
Andy Vobora, Director of Marketing & Communications
Steve Parrott, Information Technology Manager
Charlie Simmons, Facilities Services Manager
Chris Thrasher, Recording Secretary

LOGISTICS AND AGENDA REVIEW: Ms. Hellekson thanked the Committee for returning for the continuation of the budget presentation and reviewed the general logistics for the meeting, which included asking questions, meeting times, refreshments, and an emergency phone number. She stated that the presentation would include a brief recap of the General Fund and Commuter Solutions Fund, which were discussed in length the previous night, as well as a discussion of the Accessible Services Fund, Capital Improvements Program, Capital Projects Fund, and a budget summary. The meeting would conclude with Committee discussion and action.

Handouts included information on Commuter Solutions' Congestion Mitigation Program and A Smarter Way to Go Program, a table showing the percentage change from previous year actual General Fund revenues and expenditures, a comparison of payroll tax rate increase and medical insurance increase, Capital Projects Fund replacement page (page 44 of the budget notebook), and Accessible Services information, including 35-year pins.

(Ms. Ban arrived.)

BUDGET PRESENTATION:

Recap of Previous Night's Meeting. Ms. Hellekson reminded the Committee of the budget themes: (1) balance the transportation needs of the present with those of the future; (2) maintain sustainable fixed-route service levels; and (3) assess performance.

The Committee received a financial overview and talked about key issues at the previous night's meeting.

Payroll tax rate increase discussion included the need to understand and communicate the value added by the increase. The committee recommended a process, which included public outreach; ordinance revision for staff, Board, and legal review; ordinance readings and public hearings; and a rate review by the Board, at their annual strategic planning work session, as well as with the Budget Committee. The committee also recommended a coinciding fare increase effective July 1, 2006.

In regards to ridership, Ms. Hellekson stated that an increase was an implicit goal of the Long-Range Financial Plan (LRFP) and annual budget business plan; however, the committee suggested that ridership increase should be an explicit goal in the annual budget, the LRFP, and the Strategic Plan.

In response to a request from the previous night, a new comparison of cash adult fares was done as of the current date. LTD's \$1.25 cash fare, although above the mean average of \$1.09, was the same rate as for four other agencies in the comparison. Ms. Hellekson showed in a chart the adult fare history for cash fare, tokens, and passes. All three forms of fares increased in different years so as not to impact all the riders at once. The Board has not increased cash fares since a 20 percent increase in FY 1997-98 followed by a 25 percent increase in FY 2001-02. Token fares and passes followed the same pattern; however, step increases were in different years. All fares have been flat for the last couple of years.

The budget proposal for the General Fund showed \$35,523,480 in total resources and requirements, which was a 2.8 percent increase over the appropriations for the current year. The estimated total resources showed a 5.1 percent increase over the previous year actual, and the proposed requirements showed a 15.2 percent increase over the previous year actual. The higher requirements increase was due to an increase in Personnel Services and reinstitution of transfers to capital.

The budget proposal for the Commuter Solutions Fund showed \$537,000 in total resources and requirements, which was a decrease in appropriations for the current year. LTD contributes only \$5,000 to this fund.

Discussion. Mr. Kleger, an avid bus rider, stated that often there is standing room only on his route. He stated that customers are experiencing the same situation throughout the system with buses often arriving at timepoints late.

Accessible Services Fund Proposed Budget. Ms. Hellekson stated that accessible services are offered in order to meet Americans with Disabilities Act requirements. Demand-response service has three levels: curb to curb, door to door, and door through door. The General Fund provides curb-to-curb service through the Accessible Services Fund, and door-to-door service is provided through a different program. LTD does not provide door-through-door service.

Complementary paratransit services are provided within a ¾-mile boundary of LTD's core service. *RideSource* provides curb-to-curb service as well as a weekly grocery service (*RideSource* Shopper). The Transit Host & Training Program offers one-on-one support for riders using the fixed-route service at a cost savings of 4-5 times less than curb-to-curb service. The Transit Host & Training Program is cost effective for LTD and very liberating for the riders who are disabled.

Additional services provided under the Accessible Services program include a volunteer based door-to-door service provided by *RideSource* and Rural Escort, White Bird Clinic services, Small City & Rural services, and Elderly & Disabled services.

Specialized transportation and small city services included the following contracts within the LTD service area:

- *RideSource* – operated by Special Mobility Services and serving Eugene and Springfield
- South Lane Wheels – serving Cottage Grove and Creswell
- Transit Host & Training Program – operated by Alternative Work Concepts
- White Bird Clinic – providing services for people with mental and emotional disabilities

Specialized transportation and small city services included the following contracts outside the LTD service area:

- Diamond Express – operated by Special Mobility Services and providing an Oakridge to Eugene connection
- Rhody Express – operated by River Cities Taxi and serving Florence
- South Lane Wheels – serving south Lane County
- *RideSource* Escort – providing rural medical trips

Ms. Hellekson stated that money from the LTD General Fund provides partial funding for *RideSource*, the Transit Host & Training Program, and program administration. In-District resources also included the State Special Transportation Fund, Federal Developmentally Disabled funds, and Medicaid and other social service contracts. Out-of-District resources included State Special Transportation Fund, federal Small City & Rural Assistance, and Medicaid and other social service contracts.

The budget proposal for the Accessible Services Fund showed \$2,918,880 in total resources and requirements, which was a 12.6 percent increase over the appropriations for the current year. Ms. Hellekson stated that Accessible Services is one of the fastest growing components of the budget with 51 percent of the resources coming from the General Fund. Ms. Parker stated that it is becoming a challenge to look for other resources. To date, LTD has been aggressive using local money to match other money, but believed that we have reached the threshold.

Mr. Kleger stated that the Accessible Services Program's advisory body is made up of people who are long-standing advocates for people with disabilities as well as people who have disabilities. He believed that LTD is leading the country in this program. Ms. Hellekson stated that the relationship between the disabled community and public transit is good.

Mr. Hinds, through his connection at the Hilyard Center, stated that he sees a sense of pride in those riders who can ride the fixed-route service.

Mr. Collins asked if the growth in the budget was due to an increase in ridership. Ms. Parker stated that the growth consisted of a growth in ridership and the flattening of the cigarette tax and all other resources. Mr. Collins asked if the same increase would be expected in the following year. Ms. Parker stated that there was some flattening in the past but we are now seeing a steady growth. LTD did not see a large growth, as other agencies did, with the Americans with Disabilities Act (ADA) mandate because LTD was 100 percent accessible before the mandate. Mr. Hamm stated that there is growth in the retirement population, which requires additional needs in regards to transportation.

Ms. Parker stated that LTD recently entered into a vehicle lease agreement with the Hilyard Community Center to provide rides in place of RideSource service. Mr. Hinds stated that RideSource is grateful because it means less of an impact to provide services to that group of riders.

Mr. Gant agreed with Mr. Hamm in regards to the impact of the baby boomers on ridership. The length of their retirement will be longer, and their expectations for mobility are increased.

Capital Improvements Program (CIP). Ms. Hellekson stated that the Capital Improvements Program was approved by the Board in April 2005. The Board gave staff planning direction that included the following:

- Build Franklin EmX Corridor
- Plan and build Pioneer Parkway EmX Corridor
- Implement progressive corridor enhancements
- Plan for a third corridor but defer construction beyond 2011
- Increasing cost and complexity of capital projects mandates long-term planning
- Major projects such as EmX are tied to federal funding cycles for FY 2005-2009 and FY 2010-2015
- EmX is an integral part of TransPlan
- Replace existing bus fleet on a life-cycle cost schedule

- Continue improvements to customer services with facilities, equipment, and technology
- Continue productivity and efficiency improvements with allocations to technology and equipment

Ms. Hellekson elaborated on a response to a question from the previous night regarding the possibility of building the Franklin EmX Corridor and testing it before building other corridors. By itself, Franklin EmX Corridor will not serve the community as well as a more extensive system. It was not designed to stand alone. We will learn a lot from building the Franklin EmX Corridor in regards to technical components, coordination with fixed-route service, public excitement, increased ridership, but until that service connects to a major destination, it will not be a truly successful part of the overall system. The Pioneer Parkway EmX Corridor replaces the second most productive route, which serves Gateway Mall. After the first two corridors are built, we will have the ability to connect major destinations such as University of Oregon, Gateway Mall, and RiverBend Hospital. Mr. Hamm compared the EmX system to the building of the highway interstate system and Portland's light rail system.

Mr. Gaydos stated that the Franklin EmX Corridor will have to stand on its own to get federal funding.

In regards to implementation of progressive corridor enhancements, Mr. Simmons stated that service planners and engineers are looking at potential corridors, such as the River Road to LCC connection. Progressive corridor enhancements consist of using various components of bus rapid transit (BRT) such as bus stops, shelters, queue jumps, and/or signal priority. Other components can be added as the route develops to get the full BRT look.

In regards to EmX being an integral part of TransPlan, Mr. Kleger stated that the region's Transportation Plan—TransPlan—permits bus rapid transit and adopts it as the non-automotive strategy for balancing the transportation structure in response to both state and federal requirements. Ms. Ban stated that TransPlan is mandated to come up with another strategy if LTD were to choose to not build BRT.

Ms. Hellekson showed in a chart the breakout of major capital projects per fiscal year. She stated that EmX dominates the Capital Improvements Program. Major revenue vehicle purchases were slated for FY 2006-07, FY 2009-10, and FY 2012-13. As shown in a pie chart, the proposed 8-year allocations were for EmX Planning at \$6,415,000; Franklin EmX Corridor with Vehicles at \$22,979,2000; Pioneer Parkway EmX Corridor with Vehicles at \$38,300,000; Third EmX Corridor at \$3,500,000; and Other Capital Projects at \$55,882,370.

With EmX Services totaling \$71,194,200, the eight-year allocations for Other Capital Projects were broken out in a pie chart as follows: Revenue Vehicles at \$21,840,000; Technology at \$12,899,700; Accessible Services at \$3,587,000; Passenger Boarding Improvements (PBI)/Facilities at \$7,545,000; Progressive Corridor Enhancement at \$4,550,000; and Other Projects at \$5,460,670.

In summary, Ms. Hellekson stated that the buildout of the Pioneer Parkway Corridor is under funded in Years 3-5. The total proposed costs for EmX Service in FY 2005-06 was \$18,904,200, with the major expenditures for Franklin Corridor buildout and EmX vehicles.

The major buildout for Pioneer Parkway would be in FY 2009-10 assuming the funding has been identified.

Mr. Gant expressed concern that Progressive Corridor Enhancement (PCE) was a separate part of EmX. Mr. Hamm explained PCE as a step above regular fixed-route service that could eventually become a full EmX route. Ms. Ban stated that it would be good to identify at what point PCE becomes EmX. Mr. Vobora stated that Portland, in addition to their light rail system, has created "frequent bus service" where 18 corridors were designed to provide service similar to PCE. He believed at some point it all becomes the network of service.

Mr. Collins asked if the federal funding for EmX was the same as for fixed-route service. Ms. Hellekson stated that the New Start/Small Start funding for EmX was not available for PCEs and thus a good reason to keep it separate.

In response to a question from Mr. Brink, Ms. Hellekson stated that the local match requirements had not increased. New Starts and Small Starts projects will not be funded at more than 60 percent; therefore, the typical 80 percent funding and 20 percent match will not apply. LTD anticipates receiving Small Starts funding for the Pioneer Parkway corridor. Ms. James stated that the United Front discretionary funding for the PCEs is 80/20. Ms. Hellekson stated that we receive some federal funding at 90/10. Bus purchase funds could be matched at 90/10.

In continuation of CIP projects summary, the FY 2005-06 proposed costs for PCE was \$725,000; Revenue Vehicles, \$310,000; and PBI/Facilities, \$935,000. Ms. Hellekson stated that a small amount of funds come through the reprogrammed Federal Highway Administration for the Commuter Solutions Program, engine kits, and miscellaneous parts.

Ms. Sicotte stated that the Board should not be afraid to borrow money. She believed that LTD could mitigate the payroll tax increase with judicious borrowing and an increase in fares. She saw debt service as a tool for government agencies. Mr. Huber agreed. Debt service could also be used to borrow match.

Mr. Gaydos stated that the Board at one point was ready to debt service the purchase of vehicles but at the last moment received discretionary funding.

Mr. Gant and Mr. Kleger believed it was a positive aspect not to be in debt.

In summary, Ms. Hellekson showed in a pie chart those CIP projects for the eight-year funding period that are funded by federal and non-federal funds:

- Federal funding
 - EmX Federal Discretionary at \$24,900,000 (not yet secured)
 - Federal Discretionary (5309) at \$11,449,440
 - Federal Formula (5307) at \$43,046,240
 - Other Federal Funds at \$5 million (not yet secured)
 - Other Grant Funding at \$9,086,060
 - Other Funds \$968,140

- Non-federal funding
 - Local Cash Reserves at \$24,326,690
 - Other Local Funds at \$8,300,000 (not yet secured) – match for Pioneer Parkway EmX

Approximately 75 percent of the CIP projects will be federally funded.

Ms. Hellekson stated that the estimated cost to build the Pioneer Parkway EmX Corridor is \$38 million. LTD has identified 20 percent of the local match that is required. Since we anticipate that project will be funded with Small Starts money, we need to find a source for an additional 20 percent local funding. That funding could be in the form of donations of right-of-way, engineering, or cash.

For FY 2005-06, the total proposed funding for Capital Improvements Program project revenues was \$23,475,870. The transfer from the General Fund to the Capital Projects Fund was proposed at \$2,605,600. In FY 2006-07 there would not be a transfer in order to maintain the reserves in the General Fund as required by Board policy. The balance at the end of FY 2005-06 was \$6,546,158. That balance would remain positive for the first five years. Those funds would continue to earn interest, which in turn is a source of revenue.

Uncertainties for the CIP included funding for Pioneer Parkway EmX as discussed previously. Staff were optimistic that funding would be secured.

Capital Projects Fund Proposed Budget. Ms. Hellekson stated that two major projects--Springfield Station and RideSource facility--were completed during the current fiscal year: The joint development project for the Springfield Station included the opening of Burrito Boy in June 2005 and a potential coffee shop tenant in the near future.

The budget proposal for the Capital Projects Fund showed \$30,846,860 in total resources, which did not include appropriating the reserve. The budget proposal for appropriated requirements showed \$20,054,200 for EmX projects, \$4,477,500 for other capital projects, and \$6,333,160 in fund balance reserves.

The Fund Balance Reserves in the Capital Projects Fund showed \$8,461,200 for a beginning balance, decreasing by \$2,128,040 for the period, for an ending balance of \$6,333,160. In response to a question from Mr. Brink, Ms. Hellekson stated that public entities are required to appropriate 100 percent of project costs even if all the money is not spent in that year. In the following year the remaining amount is appropriated. Although LTD appropriated almost \$15 million for construction of the Franklin EmX Corridor, the actual expense for the current year was \$2.4 million.

Discussion. Mr. Collins asked if LTD would ever get to the point where there would not be a need for capital growth. Mr. Hamm stated that LTD is similar to other utilities in the community, which continue to grow. Buses and buildings eventually need to be replaced. Ms. Ban stated that a utility will grow to parallel what's happening in the community. If the metropolitan area should "grow in," transit will not have to grow at the pace of community population. If the area should "grow out," more transit will be needed. She believed EmX is a placeholder for the future.

Mr. Hamm stated that the Board has chosen to be a significant contributor toward the transportation network as a whole.

Ms. Sicotte stated that rubber is flexible and can follow the population; rails cannot.

Budget Summary. Ms. Hellekson reviewed the proposed budget for FY 2005-06 as presented over the last two meetings:

- Personnel Services – 5 FTE increase from current budget and 9.7 percent increase in expenditures
- Materials & Services – 24.4 percent increase from current year
- General Fund Operating Budget – \$27,317,200 -- 12.9 percent increase from current year
- General Fund Non-operating Budget – \$8,206,280 -- 20.6 percent decrease from current year
- Commuter Solutions Fund -- \$537,000 – 11.2 percent decrease from current year – LTD contributes \$5,000
- Accessible Services Fund -- \$2,918,880 – 12.6 percent increase in total budget; 21.7 percent increase in General Fund transfer
- Capital Projects Fund -- \$20,864,860 – 8.2 percent increase from previous year
- Total FY 2005-06 Proposed Appropriation -- \$69,844,220 – 5.4 percent increase from current year

Ms. Hellekson ended the presentation by referring the Committee to page 9 in the budget notebook for a chart of the FY 2005-06 proposed budget.

She thanked Finance staff members Carol James, Todd Lipkin, and Chris Thrasher for their help putting together the budget notebook and presentation. She also noted that other staff members--Kelly Perron, Shawn Bird, Larry Storm, and other Finance staff--helped with production and distribution.

Discussion. Ms. Hellekson asked the Committee to consider the following questions:

- Have resource allocations been balanced appropriately between present service needs and future needs?
- Are resources allocated in accordance with LTD's priorities and mission?
- Are resources being used effectively?
- Is the plan prudent?

- Can we improve the budget development and presentation process in the future to better meet Committee members' needs and expectations?

Mr. Kortge stated that Personnel Services increases needed to be controlled; 9.7 percent increase was too high. Ms. Hellekson stated that part of the increase was due to grant-funded administrative employee salaries that are now being paid from the General Fund. Also, the current year budget was under by \$700,000.

Mr. Kimball agreed with Mr. Kortge; however, he believed that maintenance capital projects were needed. In regards to bus service, riders should pay for what they get. There should be some reciprocity for use of a bus that is underutilized. He liked the idea of zone rates.

Mr. Eyster believed the whole system could fail if we dig our heels in real hard on the next contract.

Mr. Kortge stated that in the private system, there is a limit.

Mr. Huber stated, and Mr. Williams agreed, that personnel costs are a large amount of government agency budgets. It is a challenge to move forward.

Mr. Kortge believed the discussion should start now.

Mr. Gant believed that change was inevitable and could happen with taxpayer revolt. He believed that a prolonged strike would be detrimental and feared that the whole system might implode if we pushed too hard. The Board will do what it can do; however, transit support is smaller than education. He feared that taxpayers could make initiative petitions that would slash funding for transit.

Ms. Sicotte stated that a taxpayer revolt would just cap revenue and would not do anything to help capture expenses. She would like to see an initiative to look at large pensions. She believed educating the general public would not be easy.

Mr. Gant stated that it is the weakest in our society who will pay the most. Those who depend on social services do not have the advocacy that stronger sections of government have. He believed that the capital projects program was too aggressive. He stated that the Board worked hard to reach contract agreement, which was more than the proposed 4 percent.

Mr. Kimball asked what would have happened if the Board had not given in to the union and had hired willing replacement workers. Mr. Gant believed that the Governor would have eventually stepped in and replaced the Board.

Mr. Kleger believed that it would have been hard to replace that many bus operators quickly because it would take time to train them. He stated that health care is a community-wide issue.

Mr. Brink stated that LTD is a critical element in TransPlan. However, there is tension between making a large capital investment for the long-term and how service is provided. He supported taking the long-term view because we need new approaches to solving the

congestion problem. He questioned whether we would be better off doing nothing. He noted that the committee has focused on personnel costs and the tax issue. Are there any other issues that should be discussed?

Mr. Collins believed that the committee's position was powerful and that LTD can raise taxes with little resistance if we can convince the community and get their trust. He stated that the committee is a steward of a large amount of money. Although LTD is an integral part of the community, it is a small piece compared to education, etc. We should not take the easy way out by giving ourselves more funding when there might be other areas that need those funds. We have to become more efficient with the routes and carry more ridership without having to hire more bus operators. As we go down this road with these large capital investments, we should do so to make the system more efficient. We need to control the operating budget so that it does not continue to climb faster.

Mr. Gant stated that accountability is different for government agencies. When it comes to public spending, you need to be extra careful, even more so than for corporate spending. He believed that BRT would produce good, but questioned whether that good balanced with the cost. He would have preferred a slower approach for BRT, one that was measured and reviewed.

Mr. Eyster did not believe the position was between capital spending and personnel spending. Just because the money was available and we did not spend it on EmX, does not mean it should fund unreasonable pay increases. We need to work with the employee group now in preparation for the next contract negotiation. We need to do all of these things rather than look for a single silver bullet.

Mr. Gaydos stated that BRT planning was started 11 years ago and believed that the process has been well planned. However, it has matured and changed over time. Every year, some piece of it has been pushed out to the future. He believed that LTD was extremely accountable and has done a good job of measuring. Other systems have built pieces of BRT and have shown that it is effective. He believed that the balancing and changing has been appropriate. The budget is good although he would have liked it to be smaller. Changing from an HMO to a PPO was major but it gives us an opportunity to manage health care costs. We need to build relationships with the labor union.

Motion

Mr. Gaydos moved, seconded by Mr. Kortge, that the LTD Budget Committee approve the proposed fiscal year 2005-2006 budget as presented and forward it to the LTD Board of Directors for adoption.

Ms. Ban thanked the Committee for all the comments.

Mr. Hinds stated, as a rider, that he could see the goodness of the capital projects, in particular the Springfield Station. He believed ridership would increase by providing futuristic service, programs, and enhancement corridors.

The motion was approved as follows:

VOTE

AYES: Ban, Brink, Collins, Davis, Eyster, Gaydos, Hinds, Huber, Kleger, Kortge, Sicotte, Williams (12)
NAYS: Gant, Kimball (2)

Mr. Brink thanked the committee and staff, at which attendees applauded.

ADJOURNMENT: There was no further discussion, and the meeting adjourned at 8:50 p.m.



Committee Secretary