MINUTES OF DIRECTORS MEETING

LANE TRANSIT DISTRICT

REGULAR BOARD MEETING/WORK SESSION

Wednesday, October 19, 2005

Pursuant to notice given to *The Register-Guard* for publication on October 13, 2005, and distributed to persons on the mailing list of the District, the Board of Directors of the Lane Transit District held its regular monthly meeting on Wednesday, October 19, 2005, beginning at 5:30 p.m., in the LTD Board Room at 3500 East 17th Avenue, Eugene.

Present:	Gerry Gaydos, President, presiding Susan Ban, Vice President Mike Eyster David Gant, Secretary Dave Kleger, Treasurer Ken Hamm, General Manager Jo Sullivan, Clerk of the Board Lynn Taylor, Minutes Recorder
Absent:	Debbie Davis Dean Kortge

CALL TO ORDER – Mr. Gaydos called the meeting to order.

ROLL CALL – General Manager Ken Hamm called the roll.

PRELIMINARY REMARKS BY BOARD PRESIDENT – There were no remarks.

ANNOUNCEMENTS AND ADDITIONS TO AGENDA – Ms. Ban noted that the order of the two work session items would be reversed.

BOARD CALENDARS – Mr. Hamm noted that the Board's December meeting would fall on the 21st and asked if members would prefer to move the meeting date forward to December 14. Mr. Eyster said his concern was to find a night that did not conflict with the union meeting. Mr. Hamm replied that the union meeting was scheduled for December 14. Mr. Gaydos determined it was the consensus of the Board to leave its December meeting on December 21.

Mr. Hamm reported that there had been requests for tours of the portion of the Franklin corridor constructed to date and staff thought it would be advantageous to have members of the Board join the various tour groups. Board members agreed to participate in the tours.

Mr. Hamm said that staff would inform Board members when dates had been established for the tours. He also announced that LTD would be participating in the Chamber of Commerce Business-to-Business Expo.

Ms. Ban suggested that LTD's booth have information available regarding how to apply for vacancies on the Board.

WORK SESSION

Organizational Assessment – Dennis Westlind, Tonkon Torp LLP, was connected to the meeting telephonically. He explained he had conducted a neutral outsider's evaluation of management/employee relations at LTD at the direction of the Board's Human Resources Committee for the purpose of reporting back to the Board and providing insight on how improvements could be made and in what areas. He described the process he used to meet with union, management, supervisory, and non-represented administrative employees and noted that union employees were randomly selected at the request of the union. He said that a majority of interviews were conducted in person at a location away from LTD, and the remainder were conducted at LTD offices. The results of those interviews were distilled into the synopsis contained in his memorandum of October 13, 2005, to the Board.

Mr. Kleger asked about the balance between complimentary and critical employee feedback. Mr. Westlind said the nature of feedback depended on the group of employees, with a clear difference between management and non-management employees. He said his memorandum reflected only non-management employee responses in accordance with the charge to look at employee/management relations. He said that feedback was primarily critical and although he solicited some positive remarks during the interviews, employees mostly wanted to discuss critical issues. He said there was a clear line of demarcation between represented and non-represented employees, with non-represented employees being significantly less critical of relations at LTD, although they did raise critical aspects of their employment.

In response to a question from Mr. Gant, Mr. Westlind said he did not use a written set of questions but had a checklist of specific areas he wanted to cover with each employee he interviewed. He allowed employees to initiate the discussions and set the tone.

Mr. Eyster asked if employee responses were affected by or in reaction to the recent strike. Mr. Westlind replied that he asked questions designed to elicit feelings before the strike and found that most employees who expressed negative feelings agreed that the strike exacerbated their sense that relations at LTD were declining but they had experienced discontent prior to the strike.

Mr. Kleger asked if the effects of the recession on the District had affected employees' feelings. Mr. Westlind said there appeared to be a relationship and several employees understood that LTD had to operate within budget constraints but felt the money that was spent was incorrectly prioritized and did not understand the need for capital spending.

Mr. Gaydos asked if there had been feedback on the Board's performance. Mr. Westlind indicated there was a sense that the Board was not actively supervising management; employees saw the Board as absent but would welcome more Board involvement. He said employees suggested more opportunities to connect with the Board, such as social functions and scheduled meetings.

Ms. Ban asked if the employees could be characterized in terms of their loyalty and commitment to LTD and any reservoirs of good will that could be tapped in the future. Mr. Westlind replied there was a clear trend that employees with the most tenure at LTD had the most strongly felt concerns and were most disappointed in the current direction of employee/management relations. He said that those same employees also expressed a great deal of loyalty to the organization; their jobs were the best they ever had; and they wanted to find ways to improve relations with management.

Mr. Gaydos asked if the evaluation had been fair or if more interviews were necessary to provide a better picture. Mr. Westlind said he felt the process had been fair and balanced between management and non-management employees and the methodology had achieved a good cross-section of employees. He did not feel that more interviews were necessary, but if an employee wanted to be heard, that opportunity could be provided.

Mr. Eyster, referring to the requests for more opportunities to interact with the Board, said it was difficult to reconcile that with the fact that recent opportunities to speak with Board members were well advertised but poorly attended and the annual picnic in which the Board participated was attended by more retirees than current employees. Mr. Westlind said that the union had insisted on anonymous interviews with its members because of concern about retaliation against employees who spoke out, although he did not know if that concern was based on actual experiences.

Mr. Hamm asked if there were themes that emerged in interviews with supervisory and management employees. Mr. Westlind said that responses were varied and mixed; some reinforced what other employees had said and some did not.

Mr. Kleger asked if any of the problems had been caused by poor experiences with a former Human Resource director. Mr. Westlind indicated that was not a major issue for most of the employees he interviewed.

Draft HR Strategic Plan, *Looking to the Future* – Director of Human Resources and Risk Management Mary Neidig presented an updated draft plan that included employee feedback from the meetings conducted by Mr. Eyster and Ms. Ban as well as indications where actions had been taken or initiated.

Mr. Eyster mentioned that much of what employees discussed during his meeting was not related to the plan.

Ms. Ban agreed that most employees did not directly comment on the plan in her meeting. She said that accountability at every level in the organization was an issue and employees wanted to know what standards the District would use to measure accountability and for compensation throughout all levels of the organization. She was pleased to see the number of actions that had already occurred. She remarked that bus operators were LTD's face in the community, and the District should think about how to make better use of that, giving the example of an operator who wanted to participate on a local transportation planning committee but was discouraged from doing so by his supervisor. She understood there was a cost involved but said the District should give some thought to how it used people throughout the organization as effective advocates for LTD's objectives. She said there were some comments that the plan was too vague and lacked specificity, accountability, and process. She said employees seemed to have cautious enthusiasm paired with skepticism about the plan and it would be important to monitor and report on progress.

Mr. Eyster said those employees with whom he met had concerns but appreciated the spirit of the plan and hoped to move back toward a feeling of family in the organization.

Ms. Neidig pointed out that lack of specificity in areas such as compensation standards was intended to avoid conflict with bargaining issues.

Mr. Eyster asked if the union was still opposed to public meetings that would allow more than one Board member to attend. Ms. Neidig said that initially there was a strong opposition to that from the union but she had raised the issue again with local Executive Board Officer Carol Allred and asked her to think about it and discuss it with employees.

Mr. Gaydos said the Board would continue to reach out to employees and try to build trust.

Mr. Kleger asked if there was any actual evidence of retaliation against employees who spoke out on issues. Ms. Ban said that it appeared to be based more on employee perception.

Mr. Gant asked that the Board be provided with guidelines about the format if a public meeting was held.

EMPLOYEE OF THE MONTH – Marketing and Communications Director Andy Vobora introduced November 2005 Employee of the Month, Graphic Designer Shawn Bird. He described Mr. Bird's experience in graphic design and how his skills had benefited LTD.

Mr. Gaydos presented Mr. Bird with his awards and thanked him for his service.

Mr. Bird expressed his appreciation for his co-workers at LTD and the positive feedback from Mr. Vobora. He was pleased that LTD was bringing more of its graphic design in-house.

AUDIENCE PARTICIPATION – There was no one wishing to speak.

ITEMS FOR ACTION AT THIS MEETING

MOTION **Consent Calendar** – Mr. Kleger moved adoption of LTD Board Resolution No. 2005-027: "It is hereby resolved that the Consent Calendar for October 19, 2005, is approved as presented." Mr. Gant provided the second. The Consent Calendar consisted of the minutes of the September 12, 2005, special Board meeting and the September 21, 2005, regular Board meeting, and Accessible Transportation Committee membership appointments.

VOTE The Consent Calendar was approved as follows:

AYES: Ban, Eyster, Gant, Gaydos, Kleger (5)
NAYS: None
ABSENTIONS: None
EXCUSED: Davis, Kortge

Second Reading and Adoption – First Amended Ordinance No. 33, An Ordinance Adopting Procedures Relating to Route, Schedule, and Fare Changes – Mr. Vobora explained that the ordinance was intended to resolve an issue raised during the Federal Transit Administration audit and codify Oregon Revised Statutes (ORS) requirements. He said the ordinance would only codify current practices, not change them.

In response to a question from Mr. Gaydos, Mr. Vobora said that LTD did not maintain an interested parties list but did provide feedback to anyone who requested it on specific issues.

MOTION Mr. Kleger moved that the First Amended Ordinance No. 33 be read by title only. Mr. Gant provided the second.

VOTE The motion was approved as follows:
AYES: Ban, Eyster, Gant, Gaydos, Kleger (5)
NAYS: None
ABSENTIONS: None
EXCUSED: Davis, Kortge

Mr. Kleger read the ordinance title: "First Amended Ordinance No. 33, An Ordinance Adopting Procedures Relating to Route, Schedule, and Fare Changes."

MOTION Mr. Kleger moved approval of LTD Resolution 2005-028: Resolved, that Lane Transit District First Amended Ordinance No. 33, An Ordinance Adopting Procedures Relating to Route, Schedule, and Fare Changes, is adopted as presented on October 19, 2005. Ms. Ban provided the second.

VOTE The motion was approved as follows:
AYES: Ban, Eyster, Gant, Gaydos, Kleger (5)
NAYS: None
ABSENTIONS: None
EXCUSED: Davis, Kortge

First Reading – Ordinance No. 39, An Ordinance Imposing an Excise Tax on Employers and Self-employed Individuals, Providing for Administration, Enforcement, and Collection of the Tax, and Terminating the Application of Tax under Ordinance 37 and Ordinance 38 – Assistant General Manager Mark Pangborn reviewed the revised ordinance and explained that it was consistent with authorization provided to LTD and Tri-Met during the 2003 session of the Oregon State Legislature. He said that Tri-Met had implemented a rate increase in January 2005 and LTD's ordinance would implement a rate increase in January 2007, with the final rate reached in 2013.

Mr. Gant asked if the Board could make changes prior to the implementation date if the ordinance passed. Mr. Pangborn replied that the ordinance could be amended at any time but the Oregon Department of Revenue would have to be notified 60 days in advance.

MOTION Ms. Ban moved that the Ordinance No. 39 be read by title only. Mr. Kleger provided the second.

Mr. Gant asked Board members why they felt the tax increase was justified.

Mr. Kleger said that the costs of goods and services, particularly fuel, were rising and there were no simple solutions to increasing costs other than cutting service or finding more revenue. He felt the benefit of the Board's action would not equal the increasing costs of supplies and services necessary to keep the system running but would reduce the magnitude of the District's financial problems. He said that the requirements of State law for increasing the rate had been met, and the District could not afford to do anything else.

Ms. Ban listed four reasons for supporting the rate increase:

- The economy was on a slow but steady rebound
- The District was facing a potentially expanding regional base for transit and long-range development in terms of new areas of service would not pay for itself initially
- Reinstituting employee incentives and training under the new human resource plan would require additional revenue
- Raising additional revenue through small incremental increases in the payroll tax was preferable to large fare increases

Mr. Gaydos said that the transit system was an important part of the community and gave the gift of mobility to many people. He said the community was growing quickly, and development such as that in the Gateway area was dependent on transit, as were the University of Oregon and Lane Community College. He said the payroll tax was the system the State had established for subsidizing transit and while it was not ideal, it was the system that had to be used. He urged the Board to continue to look for opportunities to decrease the rate when possible. He noted that the rate increase had been discussed extensively with the community, and the Board had an obligation to assure that the District could continue to provide the necessary level of service.

Mr. Eyster concurred with the reasons given by previous speakers and indicated he would support the rate increase.

Mr. Gant respectfully disagreed with the other Board members. He said that his no vote was based on his disagreement with the legislature's approach to transit funding, which shifted the political responsibility for a tax increase to transit districts. He said that legislators were elected and should take the political heat for tax increases. He said his other concern was that a tax increase that directed more available tax revenue to transit was a zero sum game; there were only so many taxes that could be raised in an economy, and in the United States the maximum was taken out. He said in order to vote yes, he would have to be able to say that transit in the community was under-funded in relation to all of the other things that had to be funded, and he could not do that. He felt that transit was adequately funded, and the District did a great job. He worried about the possibility of a taxpayer revolt and felt the political damage done by the tax increase was not worth the money because of the public's ambiguity about transit.

Mr. Gaydos acknowledged that as an employer he saw the payroll tax payment going out each month, but he believed that transit was essential to the community and an important component of how the community lived.

VOTE The motion was approved as follows:

AYES: Ban, Eyster, Gant, Gaydos, Kleger (5)
NAYS: None
ABSENTIONS: None
EXCUSED: Davis, Kortge

Mr. Kleger read the ordinance title: "Ordinance No. 39, An Ordinance Imposing an Excise Tax on Employers and Self-employed Persons; Amending Ordinance 37, Section 1.03; and Amending Ordinance 38, Section 1.10."

ITEMS FOR INFORMATION AT THIS MEETING

Board Member Reports

Mr. Kleger related a recent experience at the Springfield Station. He noted that there had been a negative reaction to inclusion of a Park & Ride facility and stated that when he observed it the day before, every space in the Park & Ride lot was full. He also reported that during late afternoon rides on the Barger route, it was standing room only on the outer end of the route as a result of the school bus pass program. He had never before experienced such a massive increase in ridership.

Pension Plan Review – Ms. Neidig referred Board members to a matrix in the agenda packet that set forth the features of pension plans at LTD, as well as the deferred compensation program. Ms. Neidig reviewed the features of each of the following plans: represented employees' defined benefit plan and salaried employees' defined benefit and defined contribution plans. She said that the pension plan for represented employees was a bargainable benefit as part of the labor contract and the deferred compensation plan was available to all LTD employees. She said that each plan had a board of trustees that directed the funds, which were managed by a fund manager. She said that two of the pension plans were managed by Columbia Trust (with the exception of the administrative employee defined contribution plan component), and the two deferred compensation plans service providers were managed by AIG-VALIC and Hartford. The administrative employee defined contribution plan component is provided by AIG-VALIC and managed by employees.

Mr. Eyster asked what the rate of return was. Mr. Pangborn replied that during the early 1990s return rates were about 15 percent but fell sharply with the market and were slowly beginning to recover. Director of Finance & Information Technology Diane Hellekson said the current rate was in the 4 to 5 percent range.

Mr. Gant noted that the trust document stated a rate of 8 percent per year. Mr. Pangborn said the assumption was 8 percent over a rolling 20-year period to meet fund obligations.

Ms. Neidig pointed out the differences between the represented and salaried employees' plans. Ms. Hellekson said that the defined contribution plan component was created in response to employee interest in PERS and was funded from benefit cuts to other benefits at no net cost to LTD.

Ms. Neidig said that all employees were eligible for the voluntary deferred compensation plan and many employees participated.

Mr. Gant noted that the defined benefit plans included "cliff" vesting. He said that was regarded by the federal government as punitive if pushed too far into the future and asked if there were limits placed on that type of vesting. Trust attorney Everett Moreland replied that Congress had established guidelines for private plans but there was no regulation of vesting rules for government plans, although he had seen no abuse of the practice with public employers.

Mr. Gant said he regarded "cliff" vesting as predatory and unfair because it allowed an employer to keep funds if an employee was not able to remain through the end of the vesting period and he preferred a plan that did not have that feature.

Mr. Kleger asked if the costs of eliminating "cliff" vesting in LTD retirement plans could be estimated. Ms. Hellekson commented that there was no "cliff" vesting until July 1999. She said the change to "cliff" vesting was made to control rapidly expanding pension costs and to correct the problem of employees who left early and took their entire balance. She said that prior to that time, vesting was proportionate, with 20 percent vesting in each year up to five years, at which time the employee was fully vested.

Mr. Eyster asked if there was an industry standard for vesting. Trust attorney Everett Moreland replied that five-year "cliff" vesting was the standard for local governments.

Mr. Kleger asked if there was any significant turnover for non-disciplinary reasons of employees of less than five years. Ms. Neidig replied that about 80 percent of LTD's terminations were retirement and the remaining 20 percent included people who moved out of state and other reasons. She noted that LTD had few employees who were under five years of service, although that would change as employees retired and new employees were hired.

Mr. Pangborn stated that there were two issues with the pension plans: unfunded liability and other additional costs such as cost of living allowance (COLA) and retiree medical benefits. He used a chart to illustrate unfunded liabilities for both the union and salaried employee pension plans. He said that the plans underwent an actuarial assessment every two years and listed the funded ratios for the last three assessments for each plan:

ATU Pension Trust		Salaried Employees' Retirement Plan	
Year	Ratio	Year	Ratio
2000	92.7	1999	109.5
2002	76.3	2001	91.6
2004	59.5	2003	81.9

Mr. Pangborn said that the 2004 ratio for the salaried employees' plan would be available the next day and he expected it would be somewhere in the 70 percent range. He explained that the ratio was viewed within a 20-year timeframe to determine what contributions were necessary to meet obligations. He said that in terms of cash flow, LTD had adequate cash to meet current obligations.

Mr. Eyster asked if there was an industry standard for funded ratios. Mr. Moreland replied that the goal was 100 percent funding, but most plans were under-funded because of the stock market.

Mr. Gant remarked that many private sector companies were moving from defined benefit to defined contribution plans and now government was considering a similar change because of an irreducible amount of risk. Mr. Moreland said that governmental entities had generally stayed with defined benefit plans.

Mr. Gant asked if the recent problems with PERS had caused alarm among employees and employers about the risks of defined benefits plans. Mr. Moreland replied that it was his sense that employees strongly preferred defined benefit plans because most of the risk was shifted to employers. Ms. Neidig added that she had recently attended a training session with representatives of many large pension trusts, including union trusts, and there was a clear understanding among attendees that there was an issue with funding but a strong feeling that defined benefit was an employee's right. She said that many plans now took a tiered approach for new employees that helped deal with the problem of unfunded liability.

Mr. Pangborn stated that there had been no COLA adjustments to the two plans since 2000 and explained the differences in how COLA adjustments were made to each plan. He said that a COLA would increase the unfunded liabilities. He indicated that the union was requesting a COLA and at some point LTD would need to decide if the plans would include a provision of a COLA on an annual or biannual basis, but there was a cost associated with that. He said that an evaluation of building in an annual two percent COLA increase into the salaried employees' plan determined that a four-percent increase in contribution would be necessary.

Mr. Pangborn said that other issues relating to the plans were retention of Columbia Trust as the fund manager and whether the current designation of trustees should be reconsidered.

EmX Vehicle Presentation – Mr. Vobora and Sue Viggiano, EmX public relations, used conceptual drawings to illustrate options for interior and exterior design of EmX vehicles. They demonstrated a variety of colors and materials and asked Board members to indicate their preferences.

Referring to the pattern of upholstery materials, Mr. Kleger suggested that Accessible Services Manager Terry Parker be consulted to assure that the selected pattern did not cause visual disorientation for some riders who might have seizure disorders.

Mr. Eyster asked if the five-door bus produced by North American Bus Industries (NABI) would be available for inspection in Eugene the following month. Mr. Hamm said that the viewing of the NABI bus had been canceled to avoid any confusion with New Flyer, which would be producing the EmX buses, about LTD's commitment to purchasing New Flyer vehicles. He said the New Flyer contract was on schedule.

General Manager's Report – Mr. Hamm presented to the Board an award to LTD from the Oregon Department of Transportation that commended LTD in a number of areas, including accessibility, bikes on board, service performance, innovation, facilities, and EmX.

Monthly Financial Report – Ms. Hellekson reported that the first quarter had been relatively uneventful, with the exception of fuel, although there had not been the rapid escalation in cost that was seen in the previous month. She said that first-quarter payroll taxes, the first benchmark for the fiscal year, would be received in November. She said that ridership was on the rise.

Mr. Hamm reported that the joint insurance committee had met earlier in the day and had heard a presentation of bids on health care for the coming year. He was pleased to announce a zero percent increase with the same provider based on employees' use of the new program.

The meeting adjourned at 8:30 p.m.

Board Secretary

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