

MINUTES OF DIRECTORS MEETING

LANE TRANSIT DISTRICT

REGULAR BOARD MEETING

Wednesday, November 16, 2005

Pursuant to notice given to *The Register-Guard* for publication on November 10, 2005, and distributed to persons on the mailing list of the District, the Board of Directors of the Lane Transit District held a regular Board meeting on Wednesday, November 16, 2005, beginning at 5:30 p.m., in the LTD Board Room at 3500 East 17th Avenue, Eugene.

Present: Gerry Gaydos, President, presiding
Debbie Davis
Mike Eyster
David Gant, Secretary
Dave Kleger, Treasurer
Dean Kortge
Ken Hamm, General Manager
Jo Sullivan, Clerk of the Board
Kimberly Young, Minutes Recorder

Absent: Susan Ban, Vice President

CALL TO ORDER – Mr. Gaydos called the meeting of the Lane Transit District (LTD) Board of Directors to order.

ROLL CALL – General Manager Ken Hamm called the roll.

PRELIMINARY REMARKS BY BOARD PRESIDENT – Mr. Gaydos expressed appreciation for e-mails the board received from satisfied customers.

ANNOUNCEMENTS AND ADDITIONS TO AGENDA – There were no announcements or additions to the agenda.

BOARD CALENDARS – Mr. Gaydos called attention to the Board's strategic planning work session scheduled for December 9 and 10 at LCC.

WORK SESSION

LTD Diversity Council Update – The Board was joined by Director of Human Resources and Risk Management Mary Neidig and Human Resources Specialist David Collier. Ms. Neidig recalled at the Board's June meeting the Board heard an update on what the District was doing in regard to diversity. At that time staff had informed the Board about the newly formed Diversity Council and promised to return with more information in the future. She called the Board's attention to page 7 of the packet, which contained the council's charter, and page 8, which included a list of members and the goals of the council.

Mr. Collier said the council was "young," but it was committed to creating a positive atmosphere at LTD. He noted that diversity training was incorporated into the fall training and the council was introduced to employees at that time. Mr. Collier said the council's goals were in the areas of hiring, recruitment, promotion, training and education, and community outreach. He noted that council member Doris Dioszeghy was present. He invited questions.

Mr. Eyster asked how the District would let employees know the council was in existence and available to them. Mr. Collier said that in addition to the fall training, the council was highlighted in the employee newsletter.

Mr. Gaydos noted his concern about what he termed the "retention gap." He said filling that gap required mentoring new employees and helping them understand the culture of the organization and the paths to promotion. He encouraged the council to think about that issue and consider adding another goal. Mr. Collier said that retention was a communitywide issue touching many agencies and one the council would be interested in addressing.

Mr. Gant asked if any thought had been given in the past to recruiting Board members from minority communities. Mr. Gaydos said that was something of interest to the governor and had been discussed by the Board in the past. He thought it was something the council could consider.

Mr. Collier reported that December 1 was selected by the American Public Transportation Association as a day to pay tribute to Rosa Parks and would be known as Rosa Parks Day. Staff had met with members and staff of the Human Rights Commission to discuss a collaborative approach to the event and to try to tie it to December 10, which was International Human Rights Day. He asked the Board to consider acknowledging December 1 as Rosa Parks Day.

Mr. Hamm distributed copies of a resolution proclaiming December 1 as Rosa Parks Day to Board members.

Comprehensive Annual Financial Report – Director of Finance and Information Technology Diane Hellekson reported that the auditor had given LTD an unqualified audit opinion to the District's Comprehensive Annual Financial Report (CAFR). That meant the auditor found nothing noteworthy. She called attention to the executive summary, which included highlights of fiscal year 2004-05. The summary indicated the revenue from the fixed-route system was flat compared with the previous year; employer payroll tax revenue increased 17.7 percent due to a court decision favorable to LTD and a local construction boom; self-employment tax revenue increased 3.1 percent over the previous year; and state in-lieu revenue increased about 2.4 percent. Overall, revenues had increased by about 1.1 percent. The summary also indicated that in terms of expenses, personnel services increased 4.8 percent, materials and services increased 21.2 percent due mostly to fuel costs, and insurance costs increased 17.9 percent. Overall, operating expenses increased about 11.5 percent.

Ms. Hellekson recognized the excellent work done by Accounting Manager Carol James in regard to the audit.

Responding to a question from Mr. Kleger, Ms. Hellekson clarified that the increase in insurance costs were not related to the cost of health insurance. She said that those costs were predicted to be flatter in the future.

Commuter Solutions Annual Report – Commuter Solutions Program Manager Connie Bloom Williams provided a PowerPoint presentation on Commuter Solutions. She first called the Board's attention to the list of advisory committee members for the Transportation Options Advisory Committee, which was composed of staff from different agencies who advised LTD on the program. She said the program supported LTD's goals for strong, innovative service and progressive leadership for transportation needs in the community.

Ms. Bloom Williams noted the many programs and services offered by the District and said the effort continued to grow.

Ms. Bloom Williams called attention to a handout she distributed to Board members as part of the annual report, which outlined relevant goals from the 2000-2005 Strategic Plan, associated actions, and predicted results. She noted that, for example, the goal related to increased participation in alternative modes resulted in the development of the Smart Ways to School Program, School Transit Pass Program, and Valley Van Pool Program. She shared a chart summarizing the participants in group pass programs, which demonstrated sharply increased growth in the program as a result of the addition of the School Transit Pass Program.

Ms. Bloom Williams shared a list of current group pass participants and reviewed a funding breakdown for the program showing local, state, and federal allocations to the Commuter Solutions Program. She also called attention to the program goals for 2005, which were to increase participation in the program and its service and support and further local, regional, and statewide transportation and land use policies. She briefly noted the associated actions for each goal.

Mr. Kleger said that he was amazed by the results the program realized, and commended the work of Ms. Bloom Williams and her staff.

Smart Ways to School Update – Lisa Van Winkle, the project lead for the Smart Ways to School Program, joined the Board to provide an update on the program. She shared a packet of materials regarding the program, which included examples of the outreach materials sent to parents prior to its inception and after its implementation and an article, advertisement, and editorial regarding the program from *The Register-Guard*. Ms. Van Winkle said the program's funding came from the Commuter Solutions Program and Oregon Department of Energy Business Energy Tax Credit (BETC) program. The intent of the program was to reduce fuel consumption, reduce traffic around schools, and promote a healthier lifestyle through walking and bicycling. Families of students at more than 100 private and public schools were being served.

Ms. Van Winkle noted the services involved, which included the transit pass program, a "schoolpool" carpool matching program, and encouragement of walking and bicycling. She provided some data on participation figures, which indicated increases in ridership as a result of the transit pass program. She said that manual counting would occur periodically to measure ridership. She briefly noted some of the promotional events that have occurred in conjunction with the program, including the District's participation in the International Walk to School Day event. Ms. Van Winkle said that some contests had been held to encourage participation in the services provided by the program and increase its recognition, such as the How Do You Get to School contest, which occurred in October.

Ms. Van Winkle commended the schools for their work with the District. She also acknowledged the contributions of Pacific Continental Bank to the program and indicated a thank-you reception

for program partners and sponsors would be held in December. A task force with school transportation officials had also been formed, which had met five times in the last year and would meet again soon to hear an update on the program's progress. She noted her reliance on that group for guidance and support.

Ms. Van Winkle noted the federal mandate stipulating that all school districts must adopt a Wellness Policy, which related to the district's Smart Ways to School Program, through its promotion of physical activity among youth. Most districts will be focused on nutrition and physical activity during the school day, but she believed the school districts would recognize the value of the programs provided by LTD as part of the development of their Wellness Policy. She said that additionally, the federal government had earmarked some funds for Safe Routes to School activities in each state, and she would soon convene a group of local government officials to develop a collaborative funding proposal.

Ms. Van Winkle anticipated that LTD would continue to work to attract new students to the program's services, with a major push in Spring 2006.

Mr. Gaydos reordered the schedule and called for item X, Items for Information, at this time.

ITEMS FOR INFORMATION AT THIS MEETING

Current Activities

1. Board Member Reports

Mr. Gaydos reported on the most recent Metropolitan Policy Committee meeting at which Eugene's representatives refused to approve the Metropolitan Transportation Improvement Plan (MTIP) because it included the West Eugene Parkway. The other jurisdictions continued to support the MTIP. Mr. Gaydos said that that could affect some projects by delaying the approval of the list of projects. Mr. Viggiano had suggested the potential of amending the current MTIP to get those projects moving forward. Mr. Viggiano indicated that an amendment was necessary in near-term but could be needed by January or February if the issues raised by Eugene were not resolved prior to that.

Mr. Kortge reported that the Finance Committee met twice and had recommended a series of actions that likely would require Board approval.

2. General Manager's Report

Mr. Hamm reported that LTD was evaluating the Cottage Grove service as a result of particulate trap failure on the articulated buses and was putting standard 40-foot buses on those routes, which resulted in overloads and raised safety issues on the part of passengers who had to stand. Staff had been talking to Detroit Diesel about replacement traps. LTD was prepared to add trippers to deal with the overloads to prevent unsafe conditions, and staff discussed surveying community members who might not be riding the bus now but might if more services were added to the route, which might help spread the ridership load.

Mr. Hamm said that staff would like to take the Board on a tour of the EM-X Franklin Corridor. Mr. Gaydos suggested that the tour be incorporated into the strategic planning work session, if possible.

Mr. Hamm reported that he, Linda Lynch, and Doug Barber had been participating in some rule-making meetings in Salem related to the Connect Oregon funding. One of the outstanding issues was what could be considered a match; the Attorney General's Office indicated it could only be cash, which was very different from other grant sources.

Mr. Hamm said the Board Service Planning and Marketing Committee would meet on November 17 at noon to consider some immediate system fixes needed. Planning staff had developed a list of items with associated cost estimates. He said that the cost was not insignificant.

Mr. Gaydos called for a brief meeting break.

ITEMS FOR ACTION AT THIS MEETING

EMPLOYEE OF THE MONTH – Director of Transit Operations Mark Johnson introduced the December 2005 Employee of the Month, Bus Operator Tom Heatley, who noted that Mr. Heatley was nominated by several customers for always being nice to his riders and for going the extra mile on several occasions for people with disabilities. Mr. Gaydos presented Mr. Heatley with his recognition awards and thanked him for his service.

Mr. Heatley thanked the Board for its recognition and said he really enjoyed his job at LTD and found it had many benefits. He expressed his appreciation for the award and said he would continue to serve his riders.

AUDIENCE PARTICIPATION – Lucas Murphy, 1095 C Street, Springfield, shared his concern about the proposed rerouting of the Number 11 Thurston bus from South B Street to South A Street in Springfield. He said that the change was inconvenient and dangerous for riders. Mr. Murphy noted his participation in the Honored Ridership Program, which allowed him to sell his car and ride the bus. He said that the change was inconvenient because it no longer traveled close to his neighborhood but rather went straight out South A Street and picked up the old route at 14th Street. It was difficult for riders to get across the downtown area and they either had to change to another bus or walk, which was inconvenient and hazardous at night when it rained. In addition, riders had to cross South A Street, which was very busy. Mr. Murphy also objected that the bus no longer stopped in front of the Canned Foods Warehouse, which was a destination for many riders. Riders no longer could wait in a covered bus stop. In addition, the bus no longer stopped at the museum downtown so those traveling east to do business at City Hall must get off at 8th Street and walk three or four blocks. He suggested the bus stop in front of the museum be restored, or a stop installed at the Farwest parking lot. Mr. Murphy did not think much time would be added to the route as a result of his suggestions.

Mr. Murphy indicated he would submit his comments in writing.

Andy Vobora shared correspondence from Cottage Grove City Councilor Mike Fleck, 1125 East Harrison Street, Cottage Grove, who expressed his concern about the standing-room-only situation on buses traveling between Cottage Grove and Lane Community College, and suggesting the situation was leading to a loss of riders. He expressed hope for increased service to Cottage Grove and Creswell.

Mr. Vobora said staff had discussed a variety of short-term solutions to the Cottage Grove situation, including those mentioned by Mr. Hamm. He thought the issue was illustrative of the situation faced by LTD in regard to the supply of drivers and buses. It was difficult to keep the fleet running well. The Board would see a short-term proposal to address the issue during the annual route review. Mr. Vobora said the District was clear to those concerned that standing on the bus was not a safety issue, or the District would not allow it to happen. He characterized the issue as more of one of comfort for the rider.

ITEMS FOR ACTION AT THIS MEETING

MOTION **Consent Calendar** – Mr. Kleger moved adoption of LTD Board Resolution No. 2005-029: “It is hereby resolved that the Consent Calendar for October 19, 2005, is approved as presented.” Mr. Kortge provided the second. The Consent Calendar consisted of the minutes of the October 19, 2005, Regular Board Meeting.

VOTE The Consent Calendar was approved as follows:
 AYES: Davis, Eyster, Gant, Gaydos, Kleger, Kortge (6)
 NAYS: None
 ABSENTIONS: None
 EXCUSED: Ban

Audit Report for Fiscal Year Ending June 30, 2005

1. Independent Auditor's Report

Ms. Hellekson introduced auditor Chuck Swank of Grove, Mueller, and Swank PC. Mr. Swank referred the board to the letter prepared by his firm included in the packet on pages 34-35 of the packet, which indicated an audit was performed and it complied with government auditing standards. Nothing came to the firm's attention that suggested that the District was not in compliance. Mr. Swank noted that portion of the audit related to the federal funding received by the District, which did not state an opinion but rather stated nothing came to the auditor's attention in regard to that area.

Mr. Swank noted the section of the report related to fraud, saying that Oregon's government controls were very good and LTD maintained those controls. There were no adjustments recommended in the accounting section of the report, which spoke highly of the District's accounting function.

Mr. Kleger noted that he had become accustomed to hearing such reports, and this was the smallest level of exceptions he had seen yet. He commended the members of the accounting staff and thanked them for their work.

Mr. Swank said that the District was a pleasure to audit and he thought the lack of exceptions was due to the fact accounting staff were open to asking questions and soliciting input. He expressed his appreciation to LTD staff.

2. Board Acceptance of Auditor's Report

MOTION Mr. Kleger moved adoption of LTD Board Resolution 2005-030: Resolved, that the LTD Board of Directors accept the Independent Audit Report for the fiscal year ending June 30, 2005. Mr. Eyster provided the second.

VOTE The motion was approved as follows:
AYES: Davis, Eyster, Gant, Gaydos, Kleger, Kortge (6)
NAYS: None
ABSENTIONS: None
EXCUSED: Ban (1)

Mr. Hamm commended the contributions of the financial team and the standard it set.

Second Reading and Adoption—Ordinance No. 39, An Ordinance Imposing an Excise Tax on Employer 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 recalled the Board's November discussion of the ordinance. He reminded the Board a second reading was necessary to adopt the ordinance. He invited questions.

Mr. Kleger indicated his belief that the increase would not produce as much income as would be consumed by the rate of inflation and if it was not implemented the District's financial situation would worsen. He did not enjoy the idea of increasing any tax, but he felt it was necessary to keep the District in good financial health. Mr. Kleger believed the District had met the terms of the State statute that enabled the tax.

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

VOTE The motion was approved as follows:
AYES: Davis, Eyster, Gant, Gaydos, Kleger, Kortge (6)
NAYS: None
ABSENTIONS: None
EXCUSED: Ban (1)

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."

MOTION Mr. Kleger moved adoption of LTD Board Resolution 2005-031: Resolved, that the LTD Board of Directors adopts Ordinance No. 39, an Ordinance of the Lane Transit District Regarding the Excise Tax on Employers and Self-employed Persons, Amending Ordinance No. 34, Section 1.03, and Amending Ordinance 38, Section 1.10. Mr. Kortge provided the second.

Mr. Gaydos agreed with Mr. Kleger about his disinclination to increase taxes, but pointed out that the payroll tax was the only revenue instrument the District had in place. He believed the District was a good steward of its financial and human resources and the increase was necessary, as demonstrated by the eight-year financial plan.

VOTE The motion was approved as follows:
AYES: Davis, Eyster, Gaydos, Kleger, Kortge (5)

NAYS: Gant (1)
ABSENTIONS: None
EXCUSED: Ban (1)

Cost-of-Living Adjustment for Salaried Employees Retirement Plan – Mr. Pangborn said that the retirement plan did not include an automatic cost of living adjustment (COLA). He recalled that, typically, such increases had been granted every two years in the 1990s. The situation for administrative employees was somewhat different from ATU members because the trustees of the ATU Pension Plan have the ability to grant the COLA without Board approval. Traditionally, when the ATU employees received a COLA, a similar COLA was granted to administrative employees. That must be approved by the Board.

Mr. Gaydos asked how the increase would affect unfunded liabilities in the pension plan. Mr. Pangborn said both plans have an unfunded liability. The one for the ATU plan was in the 40 percent range, and the administrative plan was in the 25 percent range. In both cases, approval of a COLA would negatively impact that by increasing the unfunded liability, although not substantially. He suggested the larger issue was how the District would address those unfunded liabilities, and if such COLAs should be built into the process. Staff were beginning to work on those issues, and the Board would address them at its strategic planning session. Mr. Pangborn noted that such unfunded liabilities were not uncommon across the country.

Mr. Gaydos noted some recent changes made to the pension programs to attempt to bring more financial stability.

Mr. Gant recalled a letter in *The Oregonian* regarding the federal Financial Accounting Standards Board and some of the reforms being made to such pensions. The letter commented on the smoothing technique the board discussed in November, and it was a widely criticized mechanism. He believed that the coming reform would eliminate the mechanism.

Speaking to the proposal, Mr. Gant said once the COLA was granted, it would be impossible to take back. He was very concerned about the under-funding of the District's pension plans and said if he were an employee he would be very concerned about the stability and the security of future payments. Mr. Gant was also concerned about whether it was fair to future employees to put so much pressure on the stability of the pensions. He was concerned about getting into a PERS-like situation. He said that PERS had been a wonderful system, but now it was not so good for Tier II employees. He questioned whether the increases were actually a good idea, as he did not want to see a tiered system at LTD. Mr. Gant suggested the Board take a conservative view and first fix the pension problem and then reconsider the COLA if the District could afford it.

Mr. Gaydos said he believed there was general agreement with what Mr. Gant said. He emphasized that the increase was not automatic but happened on a periodic basis if it was possible. He said the recommendation was for a one-time situation, and the issues raised by staff in November would be examined on a detailed basis in the future. He agreed the situation was alarming, and needed to be addressed.

Mr. Kortge determined from Mr. Hamm that the increase was announced for the ATU retirees only. Mr. Kortge agreed with Mr. Gant, and said he could not support the proposal as he believed it was premature and the Board should address the status of the pension funds first.

Responding to a question from Mr. Eyster, Mr. Pangborn indicated the last COLA was granted to retired administrative employees in 1999 and it had been 2 percent. The last COLA granted to ATU retirees was in 2000 and was 3 percent. He agreed the status of the pension funds was an urgent issue, particularly given the demographics of the LTD workforce. Mr. Pangborn acknowledged the danger that retirees could grow to expect periodic COLAs even when not guaranteed. He suggested that, conversely, if the ATU retirees received a COLA increase and the administrative retirees did not, it could lead to a rising sense of inequity.

Speaking to Mr. Pangborn's remarks, Mr. Eyster suggested that this was a reality of life; that sometimes a collective bargaining unit will have something the administrative employees do not have. Mr. Pangborn pointed out the COLA was not bargained for. Mr. Eyster said that did not mean the COLAs had to be the same. Mr. Pangborn agreed, and noted that there were differences between the two pension plans.

Mr. Gaydos did not think there was anything firm about the numbers the Board had heard in regard to the unfunded pension liability given that it was based on a series of assumptions that might or might not be realized. In addition, he said that people could argue about the appropriate rate of returns looking at the same long-term trends. It was a best guess one made when looking at the assumptions. He recommended the Board support the proposal.

Mr. Gant said that he was not supportive the proposal because he cared about the District's administrative staff. He was very conservative when it came to the retirement of others and wanted to ensure that LTD employees have good pensions and that the money was there when they retired.

Mr. Kleger suggested that the Board postpone the issue until after its strategic planning session. There was general concurrence. Mr. Gaydos asked that staff provide the Board with more precise numbers about the cost of the COLA. Mr. Kortge requested some history on the COLA and any guarantees provided to retirees. Mr. Pangborn acknowledged there was no guarantee, although there may be an expectation that it would occur. Mr. Gant asked that staff follow up on the reforms planned by the National Accounting Board.

Selection of Legal Counsel – Mr. Pangborn provided background on the topic, noting that the Board had authority over the selection of the District's legal counsel. He recalled that in its 35-year history, LTD had three legal counsels and Arnold Gallagher Saydack Percell Roberts & Potter, PC, had been LTD's counsel for the past seven years. He reviewed lead counsel Roger Saydack's professional background.

Responding to a question from Mr. Kortge, Mr. Pangborn indicated that the District had no legal obligation to take the contract out to bid. He further indicated that the length of the contract was three years, with two additional single-year renewals. He noted that the contract could be canceled on short notice if needed.

MOTION Mr. Eyster moved adoption of LTD Board Resolution 2005-033: Resolved, that the LTD Board of Directors approves the extension of the legal services contract with Arnold Gallagher Saydack Percell Roberts and Potter, PC, for an additional two-year period. Mr. Kortge provided the second.

Mr. Kleger expressed his appreciation for the legal advice he had received from the District's counsel. He found it well-informed and judiciously delivered.

VOTE The motion was approved as follows:
AYES: Davis, Eyster, Gant, Gaydos, Kleger, Kortge (6)
NAYS: None
ABSENTIONS: None
EXCUSED: Ban

Rosa Parks Day – Mr. Hamm asked the Board to consider a resolution declaring December 1, 2005, Rosa Parks Day. Mr. Gaydos reviewed the resolution.

MOTION Mr. Kleger moved adoption of LTD Board Resolution 2005-034: Resolved, that the LTD Board of Directors approves a resolution establishing National Transit Tribute to Rose Parks Day in Eugene-Springfield and surrounding areas on December 1, 2005, as printed in the form distributed. Mr. Gant provided the second.

VOTE The motion was approved as follows:
AYES: Davis, Eyster, Gant, Gaydos, Kleger, Kortge (6)
NAYS: None
ABSENTIONS: None
EXCUSED: Ban

ITEMS FOR INFORMATION AT THIS MEETING (continued)

2. General Manager's Report (continued)

Mr. Hamm distributed and reviewed copies of the draft agenda for the Board's work session on December 9 and 10. He asked the Board to review the agenda and contact him with other issues members wished to discuss. Mr. Pangborn noted that the meeting would be held at the Lane Community College.

3. Monthly Financial Report

Ms. Hellekson reported that the month had been very positive in part because LTD had been able to buy fuel at below-budgeted price. She noted that October 2005 had had the highest number of boardings in one month in LTD's history.

The meeting adjourned at 7:55 p.m.



Board Secretary