MINUTES OF FINANCE COMMITTEE MEETING

LANE TRANSIT DISTRICT BOARD OF DIRECTORS

January 10, 2007

Pursuant to notice given to *The Register-Guard* for publication on January 8, 2007, a meeting of the Lane Transit District Board of Directors Finance Committee was held at 4:00 p.m. on January 10, 2007, at Lane Transit District, 3500 East 17th Avenue, Eugene.

PRESENT - Debbie Davis, Mike Dubick, Dean Kortge

CALL TO ORDER – Mr. Kortge, chair of the committee, called the meeting to order at 4:00 p.m.

ROLL CALL – It was noted that all members of the committee were present. The following LTD staff also attended: Diane Hellekson, Mark Pangborn, Carol James, Todd Lipkin, Stefano Viggiano, Mary Adams, Andy Vobora, and Tom Schwetz.

MINUTES – The minutes of the March 7, 2006, meeting were approved, with Mr. Dubick abstaining since he was not at the meeting.

FARE PRICING PLAN – Mr. Vobora distributed handouts regarding fare pricing, in addition to background information that was included in the agenda packet. He stated that the LTD Fare Policy is used to provide direction in making decisions about changes in the District's fare structure. The guidelines recommend making small, incremental changes to fares and rotating among the categories to limit the impact to riders. The Pricing History handout showed the history of fare increases by category beginning in 1981 along with changes in the Consumer Price Index. The plan calls for a change to the adult pass price in FY 2007-08; therefore, staff are recommending an 8.57 percent increase, which increases the monthly pass from $35 to $38. The average increase over the last 10 years is approximately 4 percent.

Another handout showed how LTD compared to peer transit agencies. In regards to current fares, LTD's $1.25 adult cash fare and $35 adult monthly pass matched the median amount. An increase of the adult monthly pass to $38 would put the fare slightly above the average of $37.21. The reduced fare category has usually been half the full fare, except for cash fares which are currently slightly lower. Mr. Vobora noted that many peer agencies have kept their reduced fare prices lower than half.

In response to a question from Mr. Kortge, Mr. Vobora stated that Ride*Source* fares are based on the ADA maximum of two times the cash fare. Since staff are not recommending a change to cash fares at this time, Ride*Source* fares would not change.

Public hearings for fare increases would take place in February and March. Fare changes would become effective June 20, 2007, if approved by the Board.

Mr. Pangborn stated that only 5 percent of transit agencies have a fare policy. He believed having a fare policy is critical in terms of running an effective operation and getting buy-in from the public.

Mr. Vobora stated that the discounted three-month passes moved in step with the one-month passes. In terms of sales, not many are sold. In the past the biggest buyers were the youth, but they are currently part of the Student Transit Pass program. At some point, staff may recommend discontinuing three-month passes.

Staff also recommended an 8.1 percent increase to the Group Pass rates. Per policy, the base rate will be increased annually, not to exceed the three-year rolling average of LTD cost increases. For a taxpayer, the quarterly rate would increase from $11.04 to $11.93; for a non-taxpayer, the quarterly rate would increase from $12.84 to $13.88. A handout showed the history of Consumer Price Index (CPI) and Group Pass increases since January 2000, with the average increase at 4.1 percent. Group Pass participants may be concerned that the proposed increase is higher than the CPI increase; however, fuel prices have contributed to increased operating costs.

Mr. Kortge was concerned that participants might connect the larger increase with implementation of EmX. Mr. Vobora stated that the Group Pass rate increases would not go into effect until January 1, 2008. Only the larger participating groups would see a significant increase.

The Committee was comfortable presenting staff's recommendation to the full Board in January.

UNITED FRONT REQUEST – Mr. Viggiano stated that LTD, along with Lane County; the cities of Eugene, Springfield, and Coburg; and Springfield Public Schools, develops a coordinated set of local priorities for federal funding and presents these priorities to the Oregon Congressional delegation each year. This year's United Front trip is scheduled for February 25-28, 2007. LTD has three requests this year:

- $29.59 million in Small Starts funds for 80 percent of the estimated design and construction costs of Pioneer Parkway EmX. This funding request may be split over two years.

- $2 million for upgrade of radio frequency communications and related integrated system. The request was not approved last year. If the request is not approved this year, LTD will use federal formula funds to pay for the project because the system has to be replaced. Our lobbyists believe the request has a better chance to be approved this year.

- $500,000 for alternative analysis for the third EmX corridor, which is a Federal Transit Administration required step when using New Starts funds. Staff believe this request has a good chance of being approved.

Mr. Dubick asked if the leadership change in Washington, D.C., enhances the chance of receiving the $2 million request for the radio system. Mr. Viggiano believed the leadership change enhances our position in general. The state and community have done well under Congressman DeFazio in the past. Now Congressman DeFazio will be head of the Surface Transportation Subcommittee, which handles transit. Mr. Pangborn believed that Congressman DeFazio is committed to long-term projects. In general, transit does better under a Democratic Congress.

Mr. Pangborn stated that transportation, in general, is bi-partisan. The promise is that there will be a more open and transparent process in terms of earmarking at the federal level. The Eugene and Springfield stations, EmX, and vehicles have been earmarks.

In response to a question from Mr. Kortge, Mr. Viggiano stated that Linda Lynch, LTD's former government relations manager, would be organizing the Federal Priorities book and D.C. events. It is unclear who would take over her role next year. Ms. Hellekson noted that Chris Thrasher, administrative secretary, would be working with Ms. Lynch to produce the book. Mr. Kortge stated that the year he went to Washington, D.C., all the elected officials he met with were very appreciative of the book, which helped them sort through the requests.

Ms. Hellekson stated that the Sheriff's Office would be advocating for the radio system because LTD works closely with the police when looking for criminals.

Ms. Davis asked what role the Franklin EmX's success would have during this trip. Mr. Viggiano believed it would have an influence. He stated that this is the first time LTD has sought funding through the New Starts/Small Starts program. LTD has submitted boxes of information on the Pioneer Parkway corridor so that the Federal Transit Administration (FTA) can perform a detailed analysis. The FTA will use a rating system to determine which projects should receive funding, and a report of recommended projects will be issued to Congress for action.

LABOR BUDGET ISSUES – Ms. Adams stated that the current labor contract was effective beginning July 1, 2004 and expires June 30, 2007. Negotiations for that contract were contentious and ended up with a protracted process and one-week strike. Contentious issues were health care and meal breaks for bus operators. The outcome of the agreement resulted in an increase of 5.4 percent in Personnel Services.

The negotiations resulted in a different model for health care. In 2005, there were no premium increases; in 2006, there was only an 8.6 percent increase. Management was pleased to have stopped the escalating costs of health care insurance, and staff have been pleased with the new plan.

Negotiation results also took care of issues around bus operator breaks. Contractual language was agreed upon which took care of concerns being raised by the state labor commissioner about following the labor law related to breaks. Bus operator runs were redesigned to build in breaks.

The contract also provided for modest pay increases.

The Board will meet in executive session on January 17 to hear a comprehensive overview of where we are currently and what the next bargaining issues might be. Staff will also lay out a strategy.

Ms. Hellekson added that staff would try to avoid getting into the numbers as early as they did last time and keep the Board at a policy level for a while to get a sense where the Board would like to go and what are the issues. What has kept LTD healthy is the correlation between payroll tax receipts and total personnel services costs. To the extent we can keep total personnel services costs growing at a rate less than or equal to payroll tax receipt growth, we are in good shape. The Board will be reminded of the trends and what that might mean to the negotiation strategy.

Mr. Kortge explained to Mr. Dubick that the Board during the last negotiation process strove to keep the increase of personnel services to 4 percent. He added that although the increase to the pension plan was not negotiated, it is, however, a significant piece of the pie for the long term.

In response to a question from Mr. Dubick, Ms. Adams stated that our current health plan carrier is PacificSource. Although LTD has had different carriers over time, PacificSource has been the only carrier in the marketplace to provide a managed care plan, which was in place prior to the current contract. For at least two years, PacificSource was the only bidder and essentially named their price. During that time, LTD's rates were increasing by double digits. In 2006, PacificSource was one of four bids. The Joint Insurance Committee believed PacificSource was competitive enough that it made sense to continue using them as the carrier.

Mr. Dubick asked if there was a correlation between claims versus the rates. Ms. Adams believed there was. The primary factor used to calculate premiums is utilization.

Ms. Hellekson noted that health insurance plans were moved to the calendar year. The benefit going into the budget process is knowing what costs will be for six months.

CAPITAL IMPROVEMENTS PROGRAM – Ms. Hellekson introduced Mr. Dubick to LTD staff who were present as handouts of the capital projects summary were distributed. She explained that the Capital Improvements Program (CIP) and the Long-Range Financial Plan (LRFP) are rolling documents. The plans are monitored throughout the year and are revised once a year. The CIP is usually presented to the Board in February, and the LRFP goes to the Board in March. If approved, the first year of the LRFP becomes the proposed budget for the next year. The CIP is broken down into two sections: projects and funding.

Ms. James reviewed the line items of the CIP summary.

Mr. Dubick asked for an explanation of the Medicaid brokerage that is being established. Mr. Pangborn explained that when state and federal governments mandated programs to provide transportation, they also provided a revenue stream or tax base to fund the programs. However, Medicaid was always different and provided the highest reimbursement for a trip. The State, which is responsible for managing all of the funds, decided to combine the programs for efficiency.

Ms. James stated that Lane County is the last area in the State to schedule rides through a call center and broker Medicaid non-medical rides. The Department of Human Services handles all other areas in the state. If LTD chose not to take on the service, the calls would be handled by Roseburg. LTD, through RideSource, currently provides curb-to-curb service for people who are unable to use fixed-route service. Through the brokerage, we will be able to improve the efficiency of the RideSource operation because Medicaid rides will be paid for at a higher level. LTD would act as the middle man between the various providers of the medical rides (e.g., wheelchair taxi companies, ambulances) to provide rides at a lower cost to the State.

Ms. Hellekson stated that the brokerage would be phased in starting with Oakridge. Mr. Pangborn added that business would not be taken away from the current providers, such as South Lane Wheels. RideSource will schedule the rides for the providers and handle the billing.

In response to a question from Mr. Kortge, Ms. Hellekson stated that LTD agreed to operate the brokerage call center if there was no out-of-pocket cost to LTD.

In regards to funding, Ms. James stated that the Surface Transportation bill (SAFETEA-LU), which lays out how we receive our formula funds, would expire at the end of FY 2008-09. We cannot start projects that would be funded with formula funds until new authorizing legislation is in place. Last time, reauthorization was one and a half years late.

The boxes highlighted in beige on the funding summary indicate where funding is not assured but in the past we have received funding from formula money, state Special Transportation Funds, ODOT discretionary grant money, Surface Transportation Program-Urban (STPU), and Surface Transportation Program (STP) funding. (Both STP-U and STP funds are highway funds.)

The boxes highlighted in pink with black numbers indicate United Front requests. The boxes highlighted in red with white numbers indicate discretionary assumptions from the next Surface Transportation bill.

In response to a question from Mr. Kortge, Ms. James stated that Other Local Sources funding is the 40 percent match for the West Eugene EmX extension. As directed by the Board, there is no General Fund commitment. Ms. Hellekson stated that an option for funding would be to partner with the City of Eugene who has a process in place for issuing bonds for a road project.

Mr. Pangborn explained that formula funds are appropriated by the federal government on a national basis and distributed on a formula basis. Ridership helps determine the formula. Discretionary funding on the other hand results from requests.

Ms. James stated that funding for Pioneer Parkway EmX is assumed to be 60 percent from the federal government and 40 percent local match. The 40 percent match would be made up of $5.8 million from *Connect*Oregon funds and borrowing $8.5 million to be paid off over 20 years. There is a chance the funding could be 80 percent federal and 20 percent local, which would eliminate the need to borrow long term.

The Committee approved taking the Capital Improvements Program proposal to the full Board in February.

NEXT MEETING – Ms. Thrasher would contact committee members to schedule the next meeting in early February.

ADJOURNMENT – There was no further discussion, and the meeting adjourned at 5:10 p.m.

(Recorded by Chris Thrasher, Lane Transit District)