MINUTES OF BUDGET COMMITTEE MEETING

LANE TRANSIT DISTRICT

Wednesday, April 25, 2007

Pursuant to notice given to *The Register-Guard* for publication on April 1, 2007, and April 18, 2007, and distributed to persons on the mailing list of the District, a meeting of the Budget Committee of Lane Transit District (LTD) was held on Wednesday, April 25, 2007, at 6:30 p.m., in the LTD Board Room at 3500 East 17th Avenue, Eugene.

	Board Members	Appointed Members
Present:	Susan Ban	Dwight Collins
	Debbie Davis	Peter Davidson
	Mike Dubick	Jon Hinds
	Greg Evans	Dean Huber
	Mike Eyster	Michael Langis
	Dean Kortge	Darrel Williams
Absent:	Gerry Gaydos	Russ Brink

CALL TO ORDER: Board Vice President Susan Ban called the meeting to order at 6:30 p.m.

ROLL CALL: General Manager Mark Pangborn called the roll and noted that a quorum of the Committee was present. The following staff also were present:

Mark Pangborn, General Manager
Stefano Viggiano, Assistant General Manager
Diane Hellekson, Budget Officer
Carol James, Accounting Manager
Todd Lipkin, Grant Administrator
George Trauger, Director of Maintenance
Tom Schwetz, Director of Planning & Development
Mary Adams, Director of Human Resources & Risk Management
Andy Vobora, Director of Service Planning, Accessibility, and Marketing
Mark Johnson, Director of Transit Operations
Steve Parrott, Information Technology Manager
Charlie Simmons, Facilities Services Manager
Terry Parker, Accessible Services Manager
Jo Sullivan, Administrative Services Manager/Clerk of the Board
Chris Thrasher, Recording Secretary

WELCOME AND INTRODUCTIONS: Mr. Pangborn welcomed members of the Committee and thanked them for their participation. Committee members and staff introduced themselves.

NOMINATION
ELECTION

ELECTION OF OFFICERS: Ms. Ban nominated Mr. Collins for the position of Committee Chair and Mr. Hinds for the position of Committee Secretary. The motion was seconded and

Motion
Vote

the Committee voted unanimously to elect Mr. Collins as Committee Chair and Mr. Hinds as Committee Secretary. The gavel was passed to Mr. Collins who conducted the remainder of the meeting.

PUBLIC COMMENT: Mr. Collins opened the meeting for public comment. There was no public commit, and the public comment session closed.

APPROVAL OF MINUTES: Mr. Huber moved, seconded by Mr. Eyster, to approve the minutes of the April 26, 2006, and April 27, 2006, Budget Committee meetings. Motion was approved unanimously.

LOGISTICS AND AGENDA REVIEW: Ms. Hellekson thanked the Committee members for their participation and reviewed the general logistics for the meeting, which included asking questions, meeting times, and refreshments. She also noted that the glossary in the budget notebook might be helpful for those unknown terms and acronyms often used by staff.

Ms. Hellekson stated that for public entities, the law requires citizen involvement in budget development. The Budget Committee consists of seven LTD Board members and seven citizen members. Approval of a budget requires a "yes" vote from at least eight members of the Committee. The LTD Board has the authority to amend the approved budget on a limited basis without reconvening the full Committee and approve supplemental budgets as has been done in the past. Once the Budget Committee approves a budget, the LTD Board has until June 30, 2007, to adopt the budget. The adopted budget then would be filed with the State of Oregon by July 15, 2007.

The Committee was asked to keep in mind the following meeting goals:

- Are the assumptions valid?
- Given the need for tradeoffs, are proposed priorities appropriate for the short and long term?
- Are resources allocated in accordance with LTD's Strategic Plan?
- Are resources used effectively?
- Is the spending plan prudent?

Ms. Hellekson stated that the PowerPoint presentation for April 25 would include a financial overview, a look at performance, direction from the Board, and discussion of the General Fund. The presentation for the following night would include discussion of the Commuter Solutions Fund, Accessible Services Fund, Capital Improvements Program, Capital Projects Fund, and a budget summary. The Committee would be given ample opportunity for discussion throughout the presentations.

BUDGET PRESENTATION:

Financial Highlights. Ms. Hellekson stated that in regards to resources, economic expansion continues and payroll tax receipts growth is slowing. In terms of requirements, ridership was showing strong growth, which requires additional service hours and staffing.

Ms. Hellekson showed the trend line of payroll tax revenues, which demonstrated steady growth after a recession in FY 2001-02, addition of a lump sum $1.3 million Tax Court case settlement in FY 2004-05, and the benefits from the payroll tax rate increase from 0.6 percent to 0.62 percent as of January 1, 2007.

Recent results showed that payroll tax receipts increased 5.6 percent in FY 2003-04, increased 17.6 percent in FY 2004-05 (which included the lump sum settlement from the Tax Court case), and increased 6.2 percent in FY 2005-06. The payroll tax receipts for FY 2006-07 were estimated to increase 7.7 percent, and staff were proposing an 8.8 percent increase for FY 2007-08 based on those results.

In regards to ridership increases, ridership was up 4.9 percent through March over last fiscal year, the rolling 12-month boardings hit a record high of 9,642,541 in March (a 6.6 percent increase), a record 930,175 boardings were recorded in October 2006, and EmX weekday ridership was 52 percent higher than the previous Route 11 Thurston segment. In a graph, Ms. Hellekson showed ridership trends since July 2005. The Student Transit Pass Program began in October 2005, and by the third year of the program, all students within the District were included in the program. Ms. Hellekson showed in another graph the comparison of the average Route 11 Thurston boardings on the EmX segment and actual EmX boardings since the start of service in February 2007.

Recent results for Personnel Services expenditures showed a total of 311 FTE in FY 2003-04 and 2004-05, and 322 FTE in FY 2005-06 as a result of hiring bus operators in conjunction with the required service fixes. FTE was estimated to increase to 330 in FY 2006-07, and staff proposed an increase of 7 FTE for FY 2007-08, which resulted in a total Personnel Services expenditure of $24,820,200.

In a comparison of payroll taxes to Personnel Services, Ms. Hellekson stated that Personnel Services as a percentage of operating expenses should be about the same as payroll taxes as a percentage of total resources in support of operations. Ms. Hellekson showed in a graph that LTD was able to build reserves from FY 1996-97 through FY 1999-00. In FY 2001-02 Personnel Services outgrew payroll tax receipts, and in FY 2002-03 personnel were cut. The proposed budget for FY 2007-08 showed an alignment of Personnel Services to payroll tax receipts.

Another graph showing the components of Personnel Services—salaries and wages, retirement and pension, and insurance benefits—demonstrated that retirement and health insurance benefits have continued to grow over time.

LTD invests money in the Local Government Investment Pool (LGIP), a pooled state system for short-term investments. At the end of 2000, interest rates were at 6.5 percent; in March 2004, interest rates dipped to 1.2 percent; and as of March 31, 2007, interest rates were back up to 5.2 percent.

Ms. Hellekson stated that operating performance measures were compared with similar transit properties using National Transit Database (NTD) 2005 data. Comparison properties served a university community and had service levels comparable to LTD. Data consisted of fixed-route bus service only. Transit properties chosen for comparison included the following:

- Ann Arbor, Michigan
- Bakersfield, California

- Bellingham, Washington
- Colorado Springs, Colorado
- Fort Collins, Colorado
- Livermore, California
- Olympia, Washington
- Reno, Nevada
- Salem, Oregon
- Santa Cruz, California
- Vancouver, Washington

TriMet was included in the information but was not included in the averages. Charts showed how LTD compared to other agencies in the following areas:

- Boardings per revenue hour at 31.7 was above the mean average of 25.3.
- Passenger miles per revenue hour at 132.8 was above the mean average of 101.5.
- Cost per revenue hour at $96 was above the mean average of $89.
- Cost per boarding at $3.02 was below the mean average of $3.66.
- Cost per passenger mile at $0.72 was below the mean average of $0.91.
- Fare recovery at 17.3 percent was slightly below the mean average of 17.4 percent.
- Cash fare at $1.25 was slightly below the mean average of $1.26.

Mr. Kortge asked why Olympia, Washington, had a higher cost per passenger mile than LTD. Mr. Lipkin stated that passenger miles are the number of miles passengers travel. For example, if 10 people on a bus travel 10 miles, the total passenger miles is 10. In Olympia's case, they are not carrying as many passengers or they are not carrying passengers as far. Therefore, they would be less productive than LTD. Mr. Pangborn stated that a primary revenue source for Washington properties is a local option sales tax. Those agencies often feel obligated to provide as much service as possible and tend to run less productive service than agencies like LTD.

Ms. Hellekson stated that fares are increased on a rotating basis and that pass fares would increase beginning July 1, 2007.

Direction from the Board during the past year included the following:

- Invest in fixed-route service reliability.
- Invest in fleet maintenance.
- Assure facilities' quality and preservation of assets.
- Invest in workforce development (training).
- Fully fund both retirement plans over 20 years.
- Continue to monitor and learn from Franklin EmX Corridor service.
- Plan for Pioneer Parkway EmX Corridor service in 2010.
- Continue investigation and analysis for a third EmX corridor, possibly a West Eugene extension.
- Pursue progressive corridor enhancement (Bus Plus).

(Mr. Kortge left at 7:15 p.m.)

Mr. Collins asked if the EmX efficiency level was better than other fixed-route service per operating expense. Ms. Hellekson stated that LTD is achieving efficiency on the Franklin EmX Corridor. However, efficiency could be improved with two lanes instead of sharing a single lane. At the start of service, there were additional costs for overtime due to training. The Franklin EmX Corridor still offers free-fare service.

Discussion. In response to a question from Mr. Collins, Ms. Hellekson stated that $20 million was needed to fully fund the retirement plans. She added that LTD's retirement plans are not in trouble. The ATU plan was 62 percent funded, and the Administrative plan was 80 percent funded.

Mr. Davidson asked if the retirement health plan liability was funded. Ms. James stated that currently LTD provides $125 per month for each retiree's health care benefit. The monthly cost is capped at a fixed amount as opposed to offering a fixed plan.

Mr. Davidson also asked if payroll tax revenue would cover operating costs for EmX. Ms. Hellekson explained that the Franklin EmX service more efficiently replaced a four-mile segment of Route 11 Thurston. Staff expect payroll tax receipts to be adequate to cover operating costs for Pioneer Parkway EmX when it begins operation. Mr. Eyster added that there is a percentage cap on what can be collected through the payroll tax.

In response to a question from Mr. Hinds, Mr. Vobora stated that the Long-Range Financial Plan includes coverage for additional service for Route 12 Gateway when the RiverBend Hospital opens. Annually, LTD does an extensive review of routes and changes service as needed.

In response to a question from Mr. Evans, Mr. Pangborn stated that LTD is looking for a commitment from the Eugene City Council regarding a West Eugene EmX extension. Staff hope to build a new EmX corridor every six years, which corresponds with the cycle of federal funding.

In response to a question from Mr. Collins, Ms. Hellekson stated that the investment for fixed-route service was 1-2 percent, the investment for fleet maintenance was the addition of one position, and the investment for facilities was the addition of one position in order to perform preventive maintenance. Mr. Pangborn added that LTD's priority is to maintain assets.

Mr. Hinds asked if there was a plan to purchase new vehicles if there is a need for service increases because of the increase in gas prices. Ms. Hellekson stated that LTD plans to modestly increase the fleet size. Mr. Pangborn stated that with a 20 percent spares ration, 10-15 retired buses are kept in a reserve fleet for emergencies. Mr. Lipkin stated that LTD has increased capacity by replacing 40-foot buses with 60-foot articulated buses.

Mr. Evans asked if LTD was looking at property acquisition or other extensive costs in terms of corridor enhancements with Bus Plus. Ms. Hellekson replied that staff are looking at modifications that do not involve a dedicated right-of-way.

In response to a question from Mr. Williams, Mr. Pangborn stated that Coburg Road was looked at as a possible third EmX line, but business and property owners were not receptive. The Eugene City Council made a decision to shift focus to a West Eugene corridor because of failed West Eugene Parkway plans.

Long-Range Financial Plan. Ms. Hellekson stated the following Long-Range Financial Plan (LRFP) assumptions:

- Payroll tax increase of .0002 effective January 1, 2008
- Step increases continue through 2014 when rate reaches .007
- Continued gradual and sustainable improvement in local economy
- Effective control of Personnel Services
- Moderate fuel price growth
- Continued federal support of capital investment (formula and discretionary funds)
- Local financial support of transportation capital investment

Mr. Evans asked if a contingency for overtime and training was budgeted for Pioneer Parkway EmX startup. Ms. Hellekson stated that there is a margin that is built into the Personnel Services budget to absorb those startup costs. Contingencies are included in the capital projects budget.

A schedule of combined five-year projections for operations resources showed a rate of growth between 5.5 percent and 6.5 percent over the next five years. For budgeting purposes, it is best to keep operations requirements at or below resources. The schedule of combined five-year projections for operations requirements showed 7.1 percent for FY 2007-08 (Year 1) due to added staff positions and in Years 2-5 a projection of 4.8 to 5.1 percent.

In a schedule of combined five-year projections operations summary, Ms. Hellekson stated that total revenues from the General Fund, before transfer to the Capital Projects Fund, were more than total requirements. There was no transfer to the Capital Projects Fund in the current fiscal year because of debt financing; however, transfers would resume in Years 1-5.

A schedule of combined five-year projections for capital projects included projects associated with the EmX corridors, Progressive Corridor Enhancements, revenue vehicles, and facilities and passenger boarding improvements.

Discussion. In response to a question from Mr. Eyster, Ms. Hellekson stated that the $8.8 million budgeted for the Franklin EmX Corridor in the current fiscal year did not include farebox installation but that amount was included in the other capital projects category.

General Fund Proposed Budget.

Current-year revenue estimates. Ms. Hellekson stated that payroll tax receipts were up 5.1 percent over the same time last year, which added $1.4 million to FY 2006-07 revenues. Contributions to tax receipts came from major construction projects, including PeaceHealth's RiverBend Hospital in Springfield and the Interstate 5/Beltline interchange. Growth has been slowing since November 2006.

Revenue from passenger fares included an estimated $650,000 from the Student Transit Pass program, which offset the reduction in cash fares and monthly pass sales. Group pass revenues were up $58,700 or 3.8 percent over last year. Revenue from special services was increasing, revenue from advertising was improving, and interest rates were holding steady at or near 5.2 percent from the Local Government Investment Pool. Two years ago, advertising was added to Ride*Source* vehicles.

Mr. Evans asked if LTD could be more aggressive with advertising. Mr. Vobora stated that advertising was added to the back of Breeze buses. Full-wrap advertising on buses is the biggest money maker; however, it tends to cover the "brand" so LTD has been more conservative in that area. There could be more opportunity to advertise on EmX vehicles as well as at shelters.

Current-year expenditure estimates. Personnel Services will be under current-year budget by an estimated $252,000. However, it was too soon to know the impact of EmX service.

Materials and Services was estimated to be under budget by $290,300 because fuel prices were lower than budgeted and less was spent on the promotion of EmX service.

Fuel prices were budgeted at $2.25 per gallon for the current year, and the average for the year through March 27, 2007, was $2.1573 per gallon. Ms. Hellekson showed in a chart how fuel prices over the past six years have continued to go up and down; however, the general trend line has been up. The cost of crude oil has seen a 143 percent increase in six years. It is difficult to pass on increased costs to passengers because 50 percent of the riders are students and the vast majority of the remainder fall into the low income class.

In response to a question from Mr. Davidson, Ms. Hellekson stated that gas prices could rise to $4 per gallon during the summer. Oregon is one of the top 10 states in the country for high gas prices.

In response to a question from Mr. Huber, Mr. Trauger estimated that hybrid-electric buses were 20 percent more efficient. Ms. Hellekson added that hybrid-electric vehicles have lower maintenance costs. The Board has directed that all future vehicle acquisitions be alternate propulsion.

FY 2006-07 revenue projections. Passenger fares were budgeted at $5,048,600, which is a reduction of $121,480 or 2.3 percent. Although there would be an 8.5 percent increase in monthly pass prices, a projected increase in ridership due to increased fuel prices, and an 8 percent group pass rate increase effective January 1, 2008, staff believed revenue would be lost with the discontinuation of the Student Transit Pass Program.

In response to a question from Mr. Evans, Mr. Vobora predicted a $400,000 loss in revenue from the discontinuation of the Student Transit Pass Program, which was a pilot project modeled after the Group Pass Program and funded by the Oregon Department of Energy through its Business Energy Tax Credit (BETC) program.

Payroll-related taxes were budgeted at $27,969,200, which included a 5 percent increase from last year's employer payroll taxes due to economic growth at $24,250,000 and an additional $850,000 as a result of the .0002 rate increase effective January 1, 2008; a 2 percent increase in self-employment taxes at $1,619,800; and no increase in state-in-lieu taxes at $1,249,400.

Other budgeted revenue included fares and group passes at $5,048,600, special services and advertising at $977,400, interest at $730,000, and miscellaneous at $565,500. Factoring in beginning working capital at $8,295,230, revenue projections for FY 2007-08 totaled $43,585,930.

Summary. Ms. Hellekson told the Committee that in the summary tables "actual" was compared with "estimated" and "budget" was compared with "proposed." In reviewing the General Fund Resources Summary, the estimated total resources showed a 7.3 percent increase over the previous year, and the proposed budget versus current-year budget appropriations were up 11.5 percent.

Ms. Hellekson showed in a pie chart a breakdown of the proposed General Fund revenues: Payroll Taxes, 71 percent; Passenger Fares, 14 percent; Self-Employment Taxes, 5 percent; State-in-Lieu, 4 percent; Other Operating, 3 percent; Operating Grants, 2 percent; and Interest, 2 percent. She noted that 80 percent of the operating subsidy is in the form of tax revenue.

The General Fund Requirements Summary showed a 5.2 percent increase in estimated current-year expenditures versus actual expenditures for last year. The proposed budget versus current-year budget was up 11.5 percent, which was the same proposed budget increase for resources.

In response to a question from Mr. Collins, Ms. Hellekson explained that any budget overage goes into the ending working capital balance, which then is reappropriated as the beginning working capital balance for the next year and gets spent down over the next five years per the Long-Range Financial Plan. Ms. Hellekson went on to say that the reserve requirement is $3 million ($1 million each for self-insurance, current year working capital, and future year working capital). Currently, the reserve account is carrying $7-8 million.

In response to a question from Mr. Davidson, Mr. Pangborn stated that LTD does carry secondary insurance.

The budget for Personnel Services changes held total growth of 10.8 percent over FY 2006-07 estimated expenditures. That percentage was attributed to the following factors:

- An ATU contract that will expire June 30, 2007; negotiations for a new contract are underway.
- Administrative employees will receive a 3 percent wage increase on July 1, 2007.
- Addition of four bus operators, which represented a 2.1 percent fixed-route service adjustment; an Information Technology maintenance support technician; a Customer Service Center supervisor; and a training associate.
- Fully fund both retirement plans in 19 years. Assumes a 7.5 percent rate of return on investments. Contribution changes include an ATU plan increase from $.36 per hour to $3.21 per hour for a total of $1,735,300. The salaried plan rate would remain at 16.5 percent of wages for a total of $898,600.

  Mr. Davidson asked if any studies had been done regarding converting from a defined benefit plan to a defined contribution plan. Mr. Pangborn stated that LTD is not part of the Public Employees Retirement System (PERS). Staff have attended annual benefits conferences and have heard discussions comparing the two options. With the defined contribution plan, the employee assumes the risk; with the defined benefit plan, the employer assumes the risk.

- Employee health insurance benefits per employee through December 2007 included administrative staff at $801.33 per month with a yearly health reimbursement account (HRA) of $1,750 and ATU staff at $891.86 per month with a yearly voluntary employee beneficiary account (VEBA) of $700. Staff estimated a premium increase of 10 percent on January 1, 2008.

Ms. Hellekson showed in a pie chart how personnel allocation was distributed by department, with Transit Operations amounting to 67 percent and Maintenance at 13 percent. A total of 80 percent of Personnel Services expenses was directly related to fixed-route service. Other departments, which make up the remaining 20 percent, perform work related to service but are generally considered administrative overhead.

In response to a question from Mr. Evans, Ms. Hellekson stated that a training specialist was hired last year to begin succession planning and to provide in-house training. Job descriptions are being updated, which include a physical assessment. Position reclassifications are based on a model used by other transit districts.

The Materials & Services budget for fuel was $2.35 per gallon for 942,247 gallons, for a total of $2,214,280. The average price through March 31, 2007, was $2.1573 per gallon and the actual price on April 23, 2007, was $2.19 per gallon.

Ms. Hellekson showed in a pie chart the breakdown of Materials & Services appropriations: Maintenance (for fuel and bus parts), 43 percent; Insurance, 15 percent; Transit Operations, 8 percent; Facilities Services (for cleaning and maintenance), 12 percent; Service Planning, Accessibility, and Marketing, 5 percent; and Other Departments, 17 percent.

Proposed transfers to the General Fund included Commuter Solutions, at $5,000; Accessible Services Fund, at $1,934,530; Capital Projects Fund, at $2,211,600; and Reserves, at $6,112,320 for a total proposed increase of 22.9 percent over last year. A more in-depth look at transfers to the Accessible Services Fund showed a 7.5 percent increase in FY 2003-04, 17.6 percent increase in FY 2004-05, and 10.4 percent increase in FY 2005-06. Transfers to the Accessible Services Fund were estimated to increase 31.1 percent in FY 2006-07, and staff proposed an 11.7 percent increase in FY 2007-08.

Ms. Ban asked why there was an increase in Accessible Services. Ms. Hellekson explained that the population is getting older and people are using the service more. Mr. Vobora stated that the growth in service use is seen throughout the country. Although service is mandated by the federal government, there is limited funding available to provide this service.

Ms. Hellekson showed in a pie chart the breakdown of General Fund appropriations: Personnel Services, 67 percent; Materials & Services, 19 percent; Transfer to Accessible Services & Commuter Solutions, 5 percent; Transfer to Capital, 6 percent; and Insurance & Risk Services, 3 percent.

A number of uncertainties remained for the General Fund: ATU contract terms, service costs, accessible services growth, calendar year 2008 health care increases and other impacts on Personnel Services growth control, fuel prices, and staff succession.

Mr. Evans recommended talking to the city governments about accessible services as a sustainability issue.

In summary, Ms. Hellekson restated that the budget proposal for the General Fund was $43,585,930 in total resources and total requirements, which was an 11.5 percent increase over appropriations for the current year.

Current year beginning working capital was $7,127,460 with estimated revenues at $33,093,830, operating requirements at $30,188,890, and a total transfer to the Commuter Solutions Fund and Accessible Services Fund at $1,737,170. There would not be a transfer to the Capital Projects Fund in FY 2006-07. Beginning working capital for FY 2007-08 was $8,295,230.

The proposed budget for FY 2007-08 showed a beginning working capital of $8,295,230, with estimated revenues at $35,290,700, operating requirements at $33,322,480, transfers to the Commuter Solutions Fund and Accessible Services Fund at $1,939,530, and transfer to the Capital Projects Fund at $2,211,600. Beginning working capital for FY 2008-09 would be $6,112,320.

Discussion. Ms. Hellekson stated that LTD needs to balance expenditures with anticipated revenues over the next five years, manage growth in demand for and cost of accessible services, and continue to provide matching funds for federal grants.

Mr. Huber asked for a definition of the mandate for the Accessible Services Fund. Ms. Parker explained that the Americans with Disabilities Act states that within a ¾-mile corridor of the core service areas, anyone who is deemed unable to use fixed-route service due to a disability is eligible to ride paratransit. Applicants are interviewed in person before being accepted into the program. These riders are recertified every three years.

ADJOURNMENT: With no further discussion, the meeting adjourned to 6:30 p.m. on Thursday, April 26, 2007, in the LTD Board Room.

B. Dean Huber
Committee Secretary

Q:\Reference\Budget\FY 08-09\Minutes_BUDGET COMM 4-25-07.doc