LANE TRANSIT DISTRICT

SPECIAL BOARD MEETING/
STRATEGIC PLANNING WORK SESSION

Monday, December 5, 2008

Pursuant to notice given to *The Register-Guard* for publication on December 1, 2008, and distributed to persons on the mailing list of the District, the Board of Directors of the Lane Transit District held a special meeting/strategic planning work session on Monday, December 5, 2008, beginning at 8:15 a.m., in the PacificSource conference room at 110 International Way, Springfield.

Present: Mike Eyster, President, presiding
Greg Evans, Vice President
Dean Kortge, Secretary
Mike Dubick
Ed Necker
Doris Towery
Gerry Gaydos
Mark Pangborn, General Manager
Jeanne Schapper, Clerk of the Board/Minutes Recorder

CALL TO ORDER – Mr. Eyster called the meeting to order at 8:15 a.m. and welcomed everyone in attendance. With the exception of Mr. Gaydos, all Board members were present.

ANNOUNCEMENTS – Mr. Pangborn introduced Financial Services Manager Todd Lipkin, who would be running scenarios for the group as options are considered, including variables and how they affect the bottom line. Mr. Pangborn remarked that discussions today will give staff direction concerning the budget process for the next fiscal year and perhaps into the following two years. Details will follow in January through March 2009.

ASSUMPTIONS FOR KEY BUDGET ELEMENTS–

1) Service Level – Director of Service Planning, Accessibility, and Marketing Andy Vobora reviewed service level changes. Public outreach information is included in the MPC memorandum included in Board members' binders. The target was a 15 percent cut in service hours; staff was able to reduce service to 14.43 percent, resulting in an approximate $2.5 million savings. Service hours are only one component of the service package; other pieces associated with the service package include maintenance and supervisory activities. Express routes will be cut in February 2009, with the remaining service changes to be implemented in September 2009.

Also the District is reaching an agreement with the University of Oregon (UO) to buy back service. The UO is very interested in maintaining the higher level of service between Kinsrow and is also interested in discussing direct services for students. In the first phase, UO will purchase service beginning January 5 through LTD's winter bid, which extends through spring term (mid-June). The UO will purchase additional late night service on the 79x (Kinsrow) to about 2 a.m., which is an approximate $30,000-$40,000 investment. There are concerns about this late night service, but it could save jobs. The University will be increasing this type of fee, which will also allow the University to enrichen its transportation programs, including bike programs. Staff are asking the University to fund Route 79x service in the gap between 7 p.m. and 10 p.m. Concerning public safety, the University has public safety personnel on campus 24 hours per day, so if there was an issue and LTD did not have supervisory staff available, the University staff could be called upon to assist. If behavior and public safety on the bus were to become an ongoing issue, LTD could discuss expanding the Wackenhut contract. In response to a question from Mr. Dubick, Mr. Vobora added that this route would eventually be added to the regular bid.

Mike Eyster added that it would assist students who are coming out of the library late at night.

In response to a question from Mr. Necker, Mr. Vobora said that the new late night route would be paid for by the University. To clarify, it would be at the direct cost rate, rather than the fully allocated cost rate. The rate would cover the driver, vehicle operation costs, but not the vehicle depreciation and overhead.

Mr. Vobora mentioned the third option, which is to assume that LTD would receive all state and federal funds that the District is seeking, and payroll taxes would turn around, resulting in an increase in service provided. Mr. Vobora added, however, that is probably not likely in the short term. The staff recommend Option 1 be adopted and assumed in the Long-Range Financial Plan (LRFP). Any additional service reduction would be considered in FY 2010-11.

Mr. Eyster inquired as to what amount of savings would be achieved with the recommended service reductions. Mr. Pangborn answered that the savings target is approximately $4 million and that approximately $2.5 million would be saved through the service cut.

Mr. Eyster asked the Board for opinions on Option 1. Mr. Dubick responded that he agreed with the Option 1 recommendation. He added that if further cuts become evident in the future, they can be made at that time.

Mr. Gaydos arrived at 8:35 a.m.

Mr. Evans said that he felt that Option 2 may be the more prudent course. Given the seeming current recession, the District could be facing a worst case scenario sooner than expected. He felt that additional cuts should be considered at this time.

Mr. Vobora reiterated that the package would include Tier II cuts that were previously discussed, including Sunday and late-night service. That decision could be made as the District enters further into the budget process in the spring as implementation of those cuts doesn't require as much planning work. Staff will be presenting further information on other options as the day progresses.

Mr. Viggiano asked that if the change was made for the winter bid of 2009-10, would that decision have to be made now. Mr. Vobora answered that it is not necessary to wait until Fall 2011, but the decision would need to be made by the first of November 2009.

Mr. Eyster clarified that the Board could move in the direction of Option 1 at this time and reevaluate throughout the summer and fall of 2009; then move to Option 2 at that time if needed.

Mr. Evans stated that future construction projects will be generating revenue, but that was probably too far into the future. He added that the District should project and explore a worst case scenario.

Mr. Necker asked for clarification as to the timeline for the budget decision process. Mr. Pangborn said that a formal budget review would take place in February or March, with a final decision in April when the Budget Committee meets. In February staff should have payroll tax revenue information from the last quarter of 2008 and would also have more information on the loss of revenue from the Hynix closure. By then staff also would know how much revenue will come from the Stimulus package.

In response to a question from Mr. Necker, Mr. Viggiano said that the big picture will become more evident as all of the options are presented for discussion. It also may become evident that it is not necessary to settle on just one option, but that a combination of options may be more beneficial.

2) **Paratransit Service** – Mr. Vobora mentioned that the first quarter information that is provided shows that ridership is up 14.3 percent, but vehicle miles is up only 5.5 percent. This may mean that people are making shorter trips, but there is an increased waiting time related to these trips, which drives costs. Medical insurance costs increased only 8 percent. He reminded those present that this was an analysis of the last quarter, so a year-over-year analysis is not available at this time. A transfer of $2.4 million was planned and is looking promising. Staff assume modest growth rates based on the work being done concerning eligibility certification and the integration with the brokerage model, which may keep the growth rate down. Another option would be to stay with the 10 percent annual growth, or an even more aggressive assumption given what is expected in the future in terms of more riders entering the system and the trend towards longer trip times.

Mr. Kortge agreed with assuming 10 percent. He was concerned, however, with the long range. Mr. Vobora responded that the service is required according to the ADA. It is hoped that some cost sharing will be received from the state in terms of cigarette tax revenues. Assistance at the federal level is hoped for as well; however, that seems unlikely.

Mr. Kortge stated that if these sources are unproductive, at some point service cuts will be necessary. Mr. Vobora added that the cuts would come from the fixed-route service.

Mr. Viggiano added that this issue is one that most transit agencies around the country face. Eventually, all agencies will be in a situation where bus service is reduced in order to fund ADA service. At that point, a solution has to come from the federal level.

Mr. Evans noted that counterparts back east do not provide the level of service that LTD provides with respect to ADA requirements. There is a large conflict between the paratransit community and the transit districts because the paratransit community alleges that the transit districts are failing to provide the required level of service. The transit agency responds that they will provide only the bare minimum required. LTD is the leader in this field in many respects. He asked if reducing LTD's paratransit services be a viable solution – or quite bad in terms of public relations. Mr. Pangborn responded that LTD is not providing anything over the minimum ADA requirements.

Director of Finance and Information Technology Diane Hellekson added that it appears that LTD exceeds the requirements because many of the things that LTD is able to do are separately funded. Credit goes to Accessible Services Manager Terry Parker for getting the grants that other programs began. Mr. Pangborn added that the manner in which the District is able to combine programs and resources makes LTD appear more generous, but in fact, LTD is more efficient.

Mr. Necker asked if eligibility requirements for services would change. Mr. Pangborn clarified that because of LTD's strict interpretation of ADA, users would maintain their eligibility. LTD hired a person through Senior and Disabled Services to go out and do individual personal mobility assessments in users' homes. It may be determined that a person is ADA-eligible, but also may be able to utilize other programs as well for which LTD will receive reimbursement. LTD has the call center so that all calls related to that person's needs may be tied together and billing can be assigned to the corresponding funding source. The person's transportation needs, therefore, may be met seamlessly. Yet the demand for paratransit service will continue to grow, perhaps because LTD provides such good service.

Mr. Vobora added that due to stricter requirements, if someone is able to use fixed-route service but is unable to get to a bus stop, paratransit service is provided to transport those individuals to the nearest station to catch the regular bus. This practice results in shorter paratransit trips. In addition, the same individuals eventually figure out how to get to the nearest bus stop on their own.

3) Personnel Services – Mr. Pangborn explained that the background information is separated into two categories: contract employees and non-contract employees. The 14.5 percent service reduction translates into 23 operator positions. However, with six current vacancies, the number of affected operator positions is reduced to 17.

In response to a question from Mr. Necker, Mr. Pangborn said that these operators would be laid off unless hours were cut for other operators. However, the contract does not allow for too much flexibility in reducing operator hours. Also, full benefits are extended to all operators who work a minimum of 30 hours in a single week.

Because of the reduction in service hours, the proposal also includes a reduction of two bus mechanics and the elimination of one cleaner position. Unfortunately, it is difficult to find skilled mechanics. Due to contract requirements, the newest mechanics (who have the most in-depth and up-to-date training) would be the first to be laid off. Director of Human Resources and Risk Management Mary Adams is investigating incentives that could allow the more senior mechanics to voluntarily retire if they wish, thus eliminating the need to lay off the newer and more skilled mechanics.

Ms. Adams added that there are currently 58 District employees who are eligible for retirement, many of which have chosen to work beyond retirement age for various reasons. Retirement options, such as buy-outs, are being analyzed for financial benefit to the District. Staff also are considering any ethical and legal issues that may affect these options.

Director of Maintenance George Trauger added that during the next one to three years, there will be five Maintenance staff that will be looking at retirement. Current training practices have resulted in an investment in the future for some very knowledgeable, yet newer, mechanics. The District doesn't want to lose that investment.

Mr. Evans concurred. He reiterated the importance of keeping an eye on the long-term health of the organization. Consideration needs to be given to the ramifications of laying off newer trained junior employees that could be contributing to the growth of the system. There is a need for balance when planning for the long-term.

Mr. Evans said that he hears frequent comments from the public that over the last 25 years LTD has doubled the number of mechanics, doubled the number of drivers, but quadrupled the number of administrative staff. He first asked if there was any truth to that perception and then asked if that could be something that the union may use against LTD in the current budget cut dialog. Mr. Pangborn responded that staff are currently looking at that question. There is no definitive answer yet, but staff will be going back as far as the 1980s, the most significant recession in recent history. However, he believes that LTD is a different organization that it was back then. For example, staff are now required for the BRT system, and an IT system did not exist in the 1980s. Administrative staff has been increased for good reason.

Mr. Evans emphasized the need to be aware that this issue may be raised by the union for public consumption. LTD needs to be aware of the need for transparency and clarity in terms of the real needs of the District.

Mr. Dubick was supportive of the need to look at the cost savings for retirement incentives. He also mentioned the *Passenger Transport* article that reported on a transit agency that cut cost by hiring full-time drivers to cover all routes, rather than paying overtime to current drivers. Director of Transit Operations Mark Johnson responded that staff try to maintain a balance in terms of when it is most cost-effective to pay overtime. The District saved more than 6,000 hours in overtime this past year over the year before, which is approximately $180,000 in savings.

Mr. Pangborn also mentioned other implications of hiring full-time staff, such as the cost of employee benefits. At times, paying overtime is more cost-effective. Mr. Lipkin added that benefits are approximately 52 percent of compensation. Ms. Hellekson emphasized that fortunately the District has sufficiently sophisticated technology to track this information. She also emphasized that because the District is trying to address staff cuts through attrition as much as possible, there will be over-time paid in the short term.

Mr. Johnson added that there are currently four drivers over the age of 70 and several that will be turning 65 shortly. Mr. Lipkin commented that even if it becomes apparent in February that the District will receive stimulus money, service cuts will still be necessary, but it could be possible to offer buyouts to everyone who is eligible for retirement. Currently, the District cannot afford to offer buyouts to everyone.

Ms. Towery stated her concern about the long-term consequences of cutting trained mechanics positions. She understood the difficulty of replacing trained staff. She would rather the District look elsewhere to cut expenses, such as offering buyouts.

Mr. Pangborn then referred the Board's attention to the non-contract employees. Total administrative costs are 14 percent of budget and the District is already operating very lean. A number of administrative staff are capital grant supported, including some IT and Planning staff. These positions are being funded by a non-operational revenue stream of federal capital discretionary funds. Lay-offs of these staff members would not result in savings to the District's operational budget. This leaves a minimal level of administrative staffing. Tier II budget cuts consider reducing operational costs by reducing administrative staff. In addition, staff have proposed other ways to reduce costs without reducing staff, such as a pay freeze, voluntary or mandatory furloughs, or shorter work weeks. Mr. Pangborn gave the example of Willamalane, which is looking into closing offices on Fridays, resulting in a projected savings of 10 percent. It seems more attractive to take days off without pay rather than a pay cut or freeze. At least staff are getting paid the same for time worked.

In regards to the option of taking a day off without pay, Ms. Towery mentioned that post 9-11, the economic situation for United Way (UW) was such that staff were offered a shortened work week. This resulted in a cut in pay. Some employees were reluctant at first, yet years later, even as economic times have improved, these employees have elected to continue the shorter work week, resulting in a continued cost savings to UW. Ultimately, the cost savings to UW also was seen as a benefit to employees. Some LTD employees may see this as an opportunity to work a shorter week if they can handle the workload.

Mr. Dubick cautioned that wage freezes could result in LTD jobs being less competitive in the job market. If a furlough were adopted, salaries should continue to increase and stay competitive when the time comes to hire good employees in the future.

Mr. Pangborn clarified that offering furloughs to grant-funded positions does not result in a cost savings.

Mr. Kortge asked if grant money could be reallocated. Mr. Pangborn answered that the money could only be spent for other expenses within the grant project. Mr. Pangborn also added that some positions cannot be subject to furlough requirements without consequences. He gave the example of supervisors taking furloughs, which would result in shifts not having supervisory coverage. He continued that when a supervisor takes a vacation, a driver is brought in as a temporary supervisor to cover, resulting in a shortage of drivers, and so on.

Mr. Necker said that it needs to be made clear to staff why some positions may not be subject to furloughs, such as grant-funded positions. Mr. Pangborn said that the issue needs to be visited on a person-by-person basis. Another issue that will affect staff sentiment is whether furloughs are optional or mandatory.

Mr. Vobora responded to an earlier comment by Mr. Evans that this option is part of the Tier II reductions; however, considering public perception, this type of staff reduction may be something to consider immediately. That would send the message that everyone is facing the current situation together. There is always the option of adding back later if the necessity for cuts is not as bad as projected.

Mr. Viggiano pointed out that one vacant administrative position in Human Resources was not filled. Also, it was found that some staff time that should have been charged to grant-funded projects was not being charged. That staff time is now being charged correctly.

Mr. Eyster remarked to the importance of documenting the necessity of some staff. Information Technology (IT) Manager Steve Parrott added that if staff hours are reduced, at some point the work will simply not get done. From an IT standpoint, the work the department does affects departments across the organization. As jobs are deferred, results of higher failures on the road and various inconveniences to staff, are ultimately felt by other departments within the organization. The dependence of positions between departments makes staff reductions difficult.

Ms. Towery asked if Lean Management training had been pursued. She is familiar with organizations that have gone through the training and discovered efficiencies that were not thought possible. Mr. Pangborn said that the District had begun the process with the Customer Service Center. Due to budget concerns, the process has now been put on hold. He expressed his agreement that the program is worthwhile and will certainly be revisited.

In response to a remark from Mr. Eyster, Ms. Adams said that she has been asked about retirement estimates from three employees. One person said that they would wait to retire to see what happens. She didn't believe that there would be any employees retiring before the District made a formal decision regarding buy-outs. It would probably not be economically possible to offer those employees enough of a financial incentive to retire, so staff were exploring other creative incentives that would entice those persons to retire.

Ms. Towery asked staff to consider the motivation for retirement-age employees to continue working. Options should be explored that consider whether the motivation is purpose-driven as opposed to finance-driven. For example, if the employee was continuing employment because of a feeling of purpose, volunteer opportunities may be offered. Partnering with non-profit organizations may be an option for getting work done around the District while giving those employees a sense of purpose. Ms. Adams answered that staff had those discussions and found two reasons given most often for not retiring were: 1) inability to afford health care, and 2) inability to afford to live on expected retirement income. It is planned to have these discussions with all potential retirees as a group and then on a voluntary, one-on-one basis if the employee asks to do so.

In response to a question from Mr. Necker, Mr. Pangborn said that the next step is to determine the effects of mandatory versus voluntary furloughs on a department-by-department basis.

Mr. Necker stated his desire to see a staff presentation on the subject.

4) Pension Costs – Ms. Adams stated that there were two pension plans: one for salaried and one for represented staff. Each plan has its own set of trustees. The pension plans have not been exempt from what's been going on in the investment market. The plans have lost more than 35 percent of their value. In terms of the Long-Term Financial Plan, a decision needs to be made as to how to estimate the cost of that investment loss over time. An actuarial assessment of the cost to run each plan is done every two years. The next will be done in 2010, and the District should anticipate a significant increase in the cost of the pension plans. Staff are recommending that the 2010-11 budget assume an increase of $500,000.

Mr. Kortge asked if there was a policy statement that had been adopted that addressed the desired funding level. Ms. Adams responded that the Board wanted to see both plans fully funded at 100 percent. A 20-year cycle is used to achieve a 100 percent funding level. When the Board adopted that policy, it was known what it would take to fully fund the plans. It was understood that the next year, the number would be higher, the following year the number would be higher, and so on. Every year the District's contributions to the plans increase--even in a good market year.

In response to a question from Mr. Kortge, Ms. Adams stated that the District's unfounded liability would increase if the $500,000 contribution were not met. In addition, the plans assume no cost of living increase in their cost of living assumptions. There is no language in the pension trust plans that automatically grants cost of living increases. The salaried trustees have not seen a cost of living increase since 1999.

5) Labor Contract Costs – Ms. Adams said that the contract this last period had included a 5.5 percent increase per year. The current contract expires June 30, 2010. Negotiations will probably commence in Spring 2010 for the next contract. Staff are faced with estimating what may come out of those negotiations. LTD's negotiations will likely be influenced by negotiations with Salem Transit and Tri-Met done earlier that year. Ms. Adams expressed her certainty that the ATU understands the significance of the District's current budget situation. Discussions with Jon Hunt and others have indicated that they anticipate a tough bargaining cycle with all three transit agencies. The average range of wage increases for 2008 contracts was about 2.8 percent, with about a 3.1 percent increase the year before. Generally across the country, labor contracts are settling at lower rates. In addition, union representative positions will be coming up for election in 2009. It is unknown who the District may be negotiating with in 2010. What is important is that the union is aware of what the District is doing and why it is being done in terms of staffing.

6) Outsourcing – Ms. Hellekson stated that staff have determined that outsourcing of some services saves money. Staff believe that consideration is being given to these issues at every opportunity and are not recommending changing its outsourcing policy.

In response to a question from Mr. Eyster, Ms. Hellekson stated that there are certain contract issues with regards to outsourcing. For example, bus maintenance cannot be outsourced because of contract issues.

7) Materials and Services (M&S) – Ms. Hellekson mentioned that during the October Strategic Planning Session, Leadership Council members discussed in detail materials and services expenditures and explored opportunities to save money, including eliminating one-time expenses or reducing ongoing expenses, and sustaining them at a lower level for a shorter period of time.

A large part of the M&S budget is composed of expenses of which the District has little control, including fuel ($3.5 million of the $8.5 million budget) and insurance. Some expenses have already been scaled back (such as the employee banquet) or curtailed altogether. Staff propose the following priorities for maintaining services while reducing expenses:

- Vehicle maintenance and safety
- Asset preservation
- Training in support of required credentials, maintenance of required technical skills, knowledge of applicable state and federal regulations
- Mandated professional services (such as the independent audit and banking services)
- Necessary professional services (such as specialized legal representation)
- General training
- Other services (marketing surveys; media development and placement; and supplies)

Mr. Evans asked if the recommendation would be modified if the District received federal funds from the stimulus and based on the change in formula allocation. Ms. Hellekson responded that the District would be able to use federal formula funds for maintenance and is proposing to do so to the extent that the Capital Improvement Program will allow. That strategy is probably not viable in the long-term.

Mr. Pangborn reiterated that this plan will be amended. Hopefully by February or March the amount of money received from the stimulus package will be known and can be added back into the equation. In addition, it will be known when the money will be received, which can take months.

Mr. Kortge cautioned staff to consider the unforeseen ramifications of canceling employee celebrations. Mr. Pangborn explained that much consideration had been given to the importance (in terms of teambuilding and employee recognition) of maintaining a celebration—though scaled back.

8) Customer Service Center (CSC) – Mr. Johnson explained that currently the CSC is open from 6 a.m. to 8:30 p.m., Monday through Friday, 9 a.m. to 5 p.m. on Saturday, and closed on Sundays. There is Security staff on site on Sunday who manage the lobby activity. The lobby and bathrooms are currently open on Sunday and there is a cost involved. Upon considerable review, it was decided to reduce office hours in the CSC. Staff explored three different options: 1) reduce hours from 80 hours per week to 55 hours per week, which means staying open 7 a.m. to 6 p.m., closing Saturdays and Sundays, and eliminating two CSR positions; 2) reduce hours to 70 hours per week; eliminating one position, and closing Saturdays and Sundays; and, 3) keep hours and service as they currently are.

There are only eight CSC staff, so Mr. Johnson relayed that LTD staff reluctantly recommend Option 1.

Mr. Evans asked if there was a way to keep phone lines open on Saturdays without staffing, which can be labor intensive. He felt that customers would still be calling in for directions—many of whom do not have computers to look up the information themselves, and providing that service was a very important component of LTD's service. Mr. Johnson responded that a person would still need to be on staff, and it is policy to try to avoid having only one person alone at the counter.

Mr. Evans clarified that his suggestion was to shut down the front counter and have someone out of view answering phones—at least during peak call times. He felt that maintaining a minimum level of weekend information service is a critical part of customer service. Mr. Johnson acknowledged that Mr. Evans suggestion could be carried out with the elimination of one position, but not two.

In response to a question from Mr. Necker regarding dropped calls, Mr. Johnson said that with the weekend closure of the CSC, there would be a greater concentration of staff coverage during the week, which could reduce the number of dropped calls. Mr. Pangborn added that for the last five months, the drop call rate has been between 15 and 23 percent, which is quite significant.

Mr. Johnson noted that the dropped call rate in off peak hours is very low, and the number of calls received on the weekends is significantly less than during the week days. The desire is to eventually implement an automated phone system to improve the management of calls. Mr. Parrott mentioned a study that was done concerning an automated system. People were 90 percent more likely to go directly to a CSC representative than navigate through the phone system. Mr. Johnson pointed out the likelihood that would change if a person was not available.

Mr. Pangborn added that the District is reluctant to go to an automated system for customer service reasons; however, other districts have successfully implemented similar systems. It has been planned and has been a part of the CIP for quite a while, but it keeps getting pushed out as situations such as the present occur.

Mr. Dubick commented that the option of an automated system seemed more cost-effective than having a person on staff. Mr. Pangborn said that there were costs involved in maintaining any system.

Mr. Eyster remarked that the downtown station is a presence that adds vibrancy to the community and is a source of comfort that there is someone "at home." Yet, there certainly is a cost to maintaining that image. Mr. Dubick countered that the situation is serious and removing staff from the office sends a very visible message that the District is responding appropriately.

Mr. Johnson emphasized that the $120,000 in savings with Option 1 could be better spent on bus service, which is the primary service LTD needs to provide.

9) Fuel Price Assumptions – Mr. Trauger opened the discussion by mentioning that the price of fuel was its highest in July at $4.20 per gallon, and yesterday the price was $1.47. The price continues to drop; however, it is unknown how long the trend will continue. The budget assumed $3.75 per gallon, with an annual increase of 3 percent thereafter. It seems more reasonable to assume a 5 percent increase in future years. Since July, the average the District has paid for fuel was $2.93. Staff recommend Option 3, which reflects an assumed price of $2.80 per gallon.

Mr. Necker asked what happens to the extra money budged for fuel if the price comes in under the projected price. Mr. Pangborn answered that the money could be moved into the next year's budget to be used to rebuild reserves or transferred over for a local match in capital, or it can be put back into service. Mr. Pangborn emphasized that it would be a one time allocation.

Ms. Hellekson added that the amount of federal money that was to be used for maintenance could be reduced. The federal money received from formula grants can be used for maintenance, which the District does to some extent. Whatever is used for operations is not available for capital projects. The proposal is that for a period of three years, more of the federal funds will be used for operations. Nevertheless, staff feel that it is dangerous to become dependent on those funds beyond addressing the current situation, so it is planned to wean the District away from the practice at the end of three years.

Mr. Pangborn explained that Tyree Oil had recently given a presentation on fuel prices, including fuel price hedging. LTD's current price that day was $1.82/gallon. Fuel prices could be hedged for one month, six months, or a year, and the price per gallon would be $2.14 to lock in for twelve months. In a sense, LTD would be asking Tyree Oil to assume the risk of a price increase, but for a fee. Currently, Mark Hay, who works in Maintenance, has a good relationship with Tyree Oil in that he is kept up to date on the best current price on the market and when to purchase. With regards to hedging, the District would be required to commit to a minimum purchase of at least 25 percent of its fuel needs. Mr. Trauger added that as of yesterday, LTD's price per gallon would have been $1.47; the three-month contract price would have been $1.90, which represents a markup of nearly 29 percent. For a six month contract, the price would have been $2.08, which is nearly a 41 percent increase. There is a premium to be paid for pricing stability. Over the long term and considering the law of averages, the District does pretty well. Ms. Hellekson concurred.

Mr. Trauger offered that experts say that the projected price per barrel for crude oil is around $60, which equates to around $2 per gallon.

At the request from Mr. Eyster, Ms. Hellekson clarified that staff felt that overall the District was currently paying less for fuel than it would if proceeding with a hedging purchase option. She added, however, that it was not an "all or nothing" proposition. Some fuel could be purchased through contract and some could be purchased at the current market price. Mr. Trauger clarified that the amount of the minimum contract purchase would be 42,000 gallons per month. Currently the District purchases about 80,000 gallons per month.

Mr. Pangborn suggested that it did not sound like the Board thought that fuel hedging was the prudent course. Mr. Eyster and Mr. Dubick concurred.

10) Legislative Revenue Possibilities – Assistant General Manager Stefano Viggiano stated that there are a number of opportunities for increased revenue coming from the 2009 legislative session.

a. Elderly and Disabled (E&D) Transportation: The Governor recommends that the tobacco tax for E&D transportation be increased from the current 2 cents per pack to 2.5 cents. Currently state funding pays for approximately 11 percent of E&D transportation costs around the state. In addition, Representative Terry Beyer is expected to introduce a separate bill that would increase the tobacco tax by 7 cents in 2009 and an additional 4 cents every two years thereafter through 2015. If the bill is passed, the state would then be paying approximately one-third of E&D transportation costs around the state.

E&D funding is getting a lot of attention, so it is likely that there will be additional funding; however, it is unclear what the amount will be. A 2.5 cent increase would generate approximately $400,000 in additional revenue for LTD.

Mr. Eyster asked for clarification as to the cost to LTD to provide E&D transportation. Mr. Viggiano responded that LTD's general fund contribution is $2.4 million and the District receives $600,000 from the State. Mr. Viggiano continued that LTD put forward a proposal that the Oregon Transportation endorsed for a 7 cent increase with 4 cent escalators, of which the State would fund about one-third of the total cost. Reiterating Mr. Kortge's earlier sentiments, Mr. Viggiano stated that costs that are escalating at that rate can't be sustained over time.

b. Payroll Tax: The governor's transportation package includes an increase in the maximum payroll tax rate. The 2003 legislature allowed the tax to increase from .006 to .007 incrementally over time. On January 1, 2009, the rate will be .0065 and will be .007 by 2014. The governor's proposal allows for the rate to go to .007 on January 1, 2010, and increase to .008 over the following 10 years. The proposal is likely to generate opposition and only affects LTD and Tri-Met.

c. Other Possible Revenue: The governor's package also includes the allocation of $44 million to federal flexible funds for multi-modal transportation, which includes more than just transit. Currently, the money primarily goes towards roads and highways. The $44 million is from the Surface Transportation Program, which is capital money and can't be used for operations. If the District receives any of these funds, it may provide some flexibility in that additional formula funds could be used for capital. It is, however, unlikely to have an impact on the operating budget.

Mr. Viggiano stated that the District is also seeking reimbursement of $90,000 in taxes that were paid for River Road Station, and recovery of that money seems likely.

Staff recommend the fairly conservative Option 2, which assumes that the payroll tax rate would be increased to .007 immediately, with no additional cigarette tax revenue. Nevertheless, Option 3 also seems fairly realistic. Mr. Viggiano felt optimistic that the District would receive the cigarette tax as well, but hesitated to make that assumption.

In response to Mr. Dubick's inquiry concerning a jump to .008, Mr. Viggiano stated his belief that increase would be a much tougher sell to the local business community. Mr. Viggiano also emphasized that even though the legislature can allow an increase in the payroll tax, it is ultimately up to the Board to implement the tax. The message to the local community is that the District pledge not to increase the tax until the economy improves and the increases would occur over time.

Mr. Pangborn mentioned that there are currently 11,200 payroll taxpayers. Of those, 1,200 pay 80 percent of the tax and 9,000 have a maximum payroll of $500,000 per year or less. The payroll tax at a rate of .0065 for $500,000 is $3,250; and for .007 the payroll tax is $3,500.

Mr. Evans asked about a parking space fee proposal. Mr. Viggiano said that the Vision Committee came up with the idea, but no details have been given, and the proposal has not received much discussion. Mr. Pangborn said that staff would be having conversations with local government agencies to discuss the particulars of this option further.

11) Other Revenue Possibilities

a. Federal Revenue Possibilities: Mr. Viggiano mentioned that the most promising options are at the federal level. A stimulus bill is being developed in January. It is expected that the first thing President-elect Obama will do is sign the bill. The speculation is that the bill will be somewhere between $300 - $800 billion dollars. Transportation, and transit in particular, will be part of it. Hopefully there will be some transportation operational money; although that is not a given. Operational money can be distributed fairly quickly since it will be done through a formula process; capital money is different because no earmarks are expected in the bill for specific projects. A process needs to be in place in order to determine where the money will go. As a region, the cities and LTD are putting a plan together. The money may go to the states, or it may go to the local Metropolitan Planning Organization to be distributed within the area, or it may go to the Federal Transit Administration to be distributed throughout its regions. No one knows at this time. Nevertheless, it is expected that some money will come from the stimulus package for LTD and there also is a reasonable chance that LTD will receive some operational funds.

Reauthorization is the other issue. The expectation is that the bill, which expires on September 30, 2009, will not be ready to go by October 1. It is expected that the new transportation bill will provide substantially more money. Realistically, the District cannot count on funds from this bill (at least in the short term) that will provide any relief to the current situation.

Mr. Evans offered that the original projection was to ask for more than double the SAFETEA-LU expenditure, which is $56 billion, and transit is looking at $123 million out of a $500 billion package. Senator Oberstar would like to see that scaled back.

b. Local Revenue Possibilities: At the Board work session in June, several options were discussed. Some were rejected and some are still under consideration, including a parking space charge, property tax, and systems development charge. Staff are open to other options to consider as well.

Mr. Evans broached the subject of a waste management fee as a generator of revenue to be used collaboratively for roads and other things, including transit. Mr. Pangborn said that this option will be explored with City of Springfield staff and other local agencies.

c. Fare Revenue Possibilities: Fares were aggressively increased by 20 percent this past summer. The LRFP assumes that fare revenues will increase by 5 percent per year. Since substantial fare increases just occurred, it is felt that the only fare increase option to consider would be in the monthly pass rate, including the group pass (which already increases approximately 8 percent per year). Staff are weighing the possibility of losing group pass customer against the revenue generated from an increase. Given the current economic situation, staff feel that the District should not assume another increase in fares.

Staff recommend the conservative Option 1, which assumes no additional revenue from federal and local sources or from fares. While there is reason for optimism that federal funding will be increased, it is by no means certain.

If revenue for operations is received in the stimulus plan, that money would be spread out over at least a two-to-three year period.

12) Federal Grant Funding for Maintenance – Mr. Lipkin stated that the District currently receives $4 to 4.5 million per year in federal formula funds, which can be used for any capital purpose. Up to 10 percent of formula funds also may be used for ADA costs, and the funds may be used for up to 80 percent of vehicle or facility maintenance costs. The District has not elected to do that in the past since the funds were needed for capital projects. Formula funds have funded bus purchases, IT purchases, facility improvements, and most of the passenger boarding improvements. In contrast, Tri-Met uses all of the formula funds received for maintenance. The things that LTD uses capital funding for (IT, facilities, etc.) Tri-Met uses general funds.

Staff propose the elimination or delay of approximately $3.2 million of capital projects during the next three years that are scheduled to be funded with formula funds. This frees formula funds to be used for vehicle maintenance, which allows funds that normally pay for vehicle maintenance to be used for other operating needs. The options given are to not use formula funds for maintenance or to transfer $3.2 million of federal formula funds to the General Fund over the next three years to be used for vehicle maintenance. Mr. Lipkin emphasized that either option the Board chooses is not engraved in stone. Staff would not apply for these funds until the expected revenue from the stimulus package was known. There is some flexibility and no commitment to spending the entire $3.2 million. Also, the intent is to move away from this scenario after the current economic situation passes.

Mr. Evans inquired about continuing to run free fares on EmX. He asked if it been determined whether it is cost-effective or cost-prohibitive to install a fare system. Mr. Pangborn responded that a cost analysis was done and it was determined that the system would pay for itself. Mr. Viggiano added that the analysis did not include the capital cost of the fare machines themselves--just the ongoing cost to maintain operation of the system. Mr. Viggiano mentioned that currently 9 percent of riders on the EmX system do not pay a fare. As the system expands with a longer corridor, the percentage of people who receive a free fare will increase; although the exact number is not known at this time.

Ms. Hellekson reiterated that it is not known exactly what the system will cost at this point, nor exactly how the system will be operated.

Mr. Dubick remarked that the perception of free fare on the EmX is the greatest cost. The discussion concerning additional revenue is difficult as long as the community questions free fares on EmX. He believed that when the doors open on the Gateway EmX line, the District needs to be charging fares—regardless of whether the District is actually making money on the line or not. No other revenue at the local level is possible until this issue is addressed. Therefore, the system will pay for itself. Mr. Kortge concurred.

Mr. Pangborn mentioned that a sample fare machine will be demonstrated at the December 17 Board meeting. The District's plan is to look at implementation of the fare system next summer or fall with the existing line, so that by the time the Gateway line is open, all the bugs should be worked out of the system.

Mr. Pangborn explained that there are options presented here today that had not been considered before because LTD always plans for the long term. If capital is depleted as some school districts do (facilities are not maintained), at some point the facilities are dilapidated and improving the facilities cannot be accomplished. LTD has never pursued a bonding issue like LCC or others do, but it is an option. For now, LTD needs to look at the next three years very critically, yet plan to get back on the previous track when the current situation passes. LTD is looking at making a substantive shift in policy and operating procedures. This shift in policy translates to $1 million per year with few or no cuts in staff or service. Mr. Viggiano added that the projects that are deferred or eliminated are not critical to the operation of the District.

Mr. Evans directed a question of revenue options through advertising. Mr. Vobora advised that options are being considered, such as a Canadian company that does advertising on bus passes, which pays for the cost of producing the passes. Also inside ads will soon be appearing on EmX buses. Mr. Vobora added that of the cut in M&S, about $100,000 is from next year's advertising budget, so advertising will be reduced considerably during the next year. Nevertheless, the other options will be aggressively pursued.

13) Payroll Tax Revenue – Ms. Hellekson stated that this tax is the primary source of operating revenue. There are two pieces to the payroll tax: the payroll tax base and the payroll tax rate increase. The optimistic view assumes no increase in the base, with the tax rate growth of 3 percent, 4 percent, 5 percent, and 6 percent in the subsequent years. The middle view assumes that the base will decline about 2.8 percent this year and about 1.5 percent next year, and then grow 3 percent, 4 percent, 5 percent, and 6 percent in subsequent years. The pessimistic view assumes a larger decline this year and then goes flat a while after another loss next year, and growth doesn't begin until the fourth year.

Staff recommend the middle view, which includes service reductions. Even if the District were to go to the 8 percent immediately, the District is still faced with a problem. If LTD receives some stimulus money, it still may not make a great deal of difference. The District will still be looking at a combination of reduction options.

Mr. Evans offered his skepticism as to how popular the immediate tax rate increase would be among the local business and emphasized the need to focus on finding a supplemental revenue source to augment the current base. He also stressed the need to address the current community attitude about ecology: green jobs and green economic solutions to environmental issues. He appealed to LTD to find a sustainable revenue source.

The Board took a break for lunch from 12:01 p.m. to 12:30 p.m.

PROJECT CONSTRUCTION GRANT AGREEMENT – Mr. Viggiano introduced this addition to the agenda, pointing out that this is the first agreement of this type in the country and a milestone for FTA. The attorney determined that it takes special action by the Board to authorize the general manager to sign this type of contract. Unfortunately, staff didn't learn about this stipulation until yesterday, and that notice was insufficient for the Board to be able to take action on this item today. Staff are suggesting that a conference call meeting be scheduled early next week, rather than waiting until the next regular Board meeting. Only one Board member is required to be at the location of the conference call, with a minimum of four Board members participating in the conference call. Public notice will be given, and the Board will be asked to approve the authorization of the general manager to sign the contract. The Board agreed to schedule the conference call meeting on Tuesday, December 9, 2008, at 11:30 a.m.

WEST EUGENE COLLABORATIVE (WEC) – Mr. Schwetz presented an overview of the WEC, which is a diverse group that has been working together for the last 18 months or so to address issues related to West Eugene land use and its environment. The formation of this group came about due to the elimination of the West Eugene Parkway proposal. The goal of the effort is to produce a consensus on a vision for West Eugene.

Mr. Gaydos added that he is impressed with the dedication that has been shown from all members of the group. The group concentrates its efforts on the environmental aspects of future growth in West Eugene.

Mr. Schwetz directed attendees attention to the Executive Summary, which best described the efforts of the Collaborative. The central piece to the group's vision is a full multi-way boulevard from Chambers to Beltline. The primary concept for a multi-way boulevard is to provide for a number of things that happen on a busy street, including access to local businesses, the creation of inviting pedestrian routes, and integrated parking. This concept goes hand-in-hand with high capacity transit. The concept includes two exclusive opposing lanes for EmX, with a buffer zone separating east/west through traffic lanes, and parking lanes. To create enough space requires the appropriation of approximately 60 feet of right-of-way.

Mr. Schwetz pointed out that with all the work the group has done on the vision, there has been no work done on an analysis of the effectiveness of the vision. LTD is looking at ways to draw through traffic off of West 11th. LTD's interests involve improvements at the intersection of Beltline and West 11th (next to Roosevelt) and Bailey Hill up to 7th Avenue. Estimated costs of the project range from $190 to $250 million.

In response to a question from Mr. Kortge, Mr. Schwetz said that this is a long-term vision that extends 50 to 60 years. In the context of LTD's project, this timing is well beyond LTD's 20-year investment. LTD needs to clearly state its needs in this vision.

Mr. Gaydos clarified that when this group formed, it was made clear that there were two projects to consider: West Eugene EmX and the City's project, and the group is supportive of both in its vision.

Mr. Evans expressed concern over a possible need for LTD to align its needs with those of the Collaborative. Mr. Schwetz stated that what LTD is advocating within the Collaborative is that this process does not have any analysis in terms of its effectiveness, whereas LTD's process is very detailed and looks at several alternatives. Staff also are incorporating the Collaborative's ideas when considering the options for the future EmX.

Mr. Viggiano added that this particular vision of a multi-way boulevard would work well for EmX if it included exclusive transit lanes.

LONG-RANGE FINANCIAL PLAN – Mr. Pangborn solicited comments from the Board.

Mr. Kortge said that it made sense to him to go along with staff recommendations.

Mr. Dubick agreed that the revenue assumptions were a moving target. All the Board can do is agree on a course of action, and if it turns out to be wrong, revisit the issue then.

Mr. Kortge related his discomfort with any formal indication from the Board that it is prepared to advance to the 7 percent immediately, even if the legislature allows.

Mr. Viggiano asked if the Board was comfortable with the staff recommendations on the other issues discussed. An affirmative response was heard from the Board members.

BUDGET SCENARIOS – Mr. Pangborn said that the District was looking at a $4.1 million shortfall. If the shortfall is greater, then service cuts will need to be revisited, as well as additional transfer of federal formula funds and additional staff reductions. Capital projects will be pushed back. A major bus purchase is coming up in three years, and since the money will be spent here, that money will not be available then.

There are options for "Add-Backs." Mr. Pangborn felt that it is less likely that this option will be considered anytime in the near future.

Mr. Pangborn then described the budget process timeline and the contributing factors, directing the Board's attention to the graph on the front wall. The timeline included the legislative session, payroll tax, stimulus package, and other factors. This timeline is helpful in order to show the decision process and District activities relative to receipt of actual funds. For example, even if LTD is to receive funds from the state through the tobacco tax, LTD wouldn't actually receive the money until mid-2010. Nevertheless, information received from the legislative session in the spring can provide budgeting information. The Gateway EmX is expected to open in late December 2010.

Mr. Evans asked if there were plans to have up-to-date project information available on LTD's website, including West Eugene or Gateway EmX. He gave LCOG as an example. Mr. Parrott said that the District was not in a position to build that type of informational program. The IT department does not have the staff nor the resources to put a project of that type together quickly; however, the project could be added to the list of future projects.

Mr. Schwetz added that it took three years for LCOG to program its system to make available information of this type. Through partnering with LCOG, this process is possible. Mr. Schwetz gave the KeepUsMoving program through Commuter Solutions as an example. Mr. Parrott emphasized that a project of this size has to be decided as a strategic change in direction, in terms of staffing and resources.

Mr. Pangborn added that Marketing and Graphics are continually upgrading and expanding LTD's website to accommodate more information.

COMMUNITY COMMUNICATION AND SUPPORT – Mr. Pangborn advised that Mr. Eyster and LTD staff would be meeting with *The Register-Guard* editorial board to give a brief summation of the decisions that the Board has made today and the implications for LTD's budget for the next year and into the future. Staff also have arranged meetings with area chambers of commerce to discuss these issues. Beginning next week, staff brown bag luncheon meetings are planned to discuss budget issues.

Mr. Vobora added that *The Register-Guard* will be doing an article regarding the legislative process as related to West Eugene EmX. In addition, staff are working with Ulum and Funk staff in an attempt to generate a community advocacy base, and trying to come up with methods to connect people into the long- and short-term processes. Mr. Pangborn mentioned that staff had met with *The Eugene Weekly* as well; however, that article has not yet been printed.

MPC DISCUSSION – Mr. Schwetz asked if anyone had any questions concerning the MPC information included in the packet.

Mr. Pangborn asked when the WEC report would come out. Mr. Schwetz answered that the group would be taking another month to finalize the report.

BOARD E-MAIL – Mr. Pangborn introduced this additional agenda item. An issue came to light recently concerning communication between Board members and staff. Any such communication, unless protected by law, is subject to public disclosure. Currently LTD has e-mail accounts set up for each Board member. The concern is that District e-mail sent to a Board member's personal e-mail accounts could subject the Board member's computer and information stored within to inspection.

Mr. Parrott explained that currently all Board members have e-mail accounts on LTD's network and that e-mail is forwarded to Board members' private accounts. What staff would do is create a mechanism for the Board member to log into LTD's network through the member's own computer. The process shouldn't take an inconvenient amount of time. While the Board member is on LTD's network, none of the information that the member is working on or has access to is ever transferred to the Board member's own personal computer. This provides a clean barrier and protection for Board members' personal computers.

In response to a question from Mr. Kortge, Mr. Parrott clarified that the system could be set up to send the Board member a notification when e-mail is received.

Mr. Parrott continued with the second option, which involves the Board member creating an e-mailbox under the member's own personal account. This account would be specifically dedicated to LTD e-mail and would need to be certified as such. Nevertheless, since the e-mailbox would not be separate from the e-mail system on the member's personal computer, the PC could be exposed to discovery.

Mr. Parrott explained the third option, which involves printing out e-mails and faxing, mailing, or delivering them in person to the Board member. There is no connection with a network at all; however, there is a cost of time involved.

Staff recommend Option 1.

Mr. Dubick offered his own experience with school district e-mail that was set up similarly to Option 1 and worked well.

In response to a question from Mr. Kortge, Mr. Parrott said that given the positive response from the Board, IT staff would begin work on the project the next week. An e-mail Board group will be created and instruction sheets will be drawn up for Board members' reference.

OTHER BUSINESS - The group wished Mr. Viggiano a happy 55th birthday and sang the birthday song.

Ms. Hellekson mentioned that the Budget Committee would soon be short one member from the community. Mr. Necker would be selecting a representative from the community to be considered for membership on the Committee. Ms. Hellekson informed Mr. Necker that his nominee did not need to reside within his sub-district. An orientation for the new Committee member is planned for April.

ADJOURNMENT – There was no further discussion, and the meeting was adjourned at 1:43 p.m.

Dean Kortge
Board Secretary

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