MINUTES OF LANE TRANSIT DISTRICT SPECIAL MEETING/WORK SESSION

LANE TRANSIT DISTRICT

Monday, April 11, 2011

Pursuant to notice given to *The Register-Guard* for publication on April 7, 2011, and distributed to persons on the mailing list of the District, the Board of Directors of Lane Transit District held a Special Meeting/Work Session on Monday, April 11, 2011, beginning at 1:00 p.m. in the LTD Board Room at 3500 East 17th Avenue, Eugene.

Present:

Lane Transit District:	Budget Committee Members Present:
Mike Eyster, President	Peter Davidson
Greg Evans, Vice President	Warren Wong
Dean Kortge, Secretary	Edward Gerdes
Ed Necker, Treasurer	Jon Hinds
Mike Dubick	Don Nordin
Greg Evans	
Doris Towery	
Gary Gillespie	
Mark Pangborn, General Manager	
Jeanne Schapper, Clerk of the Board	
Linda Henry, Minutes Recorder #1	
Katie Dettman, Minutes Recorder #2	

CALL TO ORDER: Mr. Eyster convened the meeting of the Lane Transit District (LTD) Board of Directors to order at 1:02 and called roll. With the exception of Greg Evans, all Board members were present. He welcomed the Budget Committee members who were present.

Mr. Eyster announced that today's meeting was in lieu of the April 20, 2011, LTD Board of Director's meeting. He congratulated Mr. Gillespie for his recent re-election as President of the American Federation of State, County, and Municipal Employees Council 75.

WORK SESSION WITH LTD BOARD BUDGET COMMITTEE

Mr. Pangborn offered an overview of the budget process, noting that this was a tumultuous time in the public sector, with a potential shutdown of the federal government and a battle looming with the debt limit that may affect LTD. There also were challenges at the state level. Staff were taking a conservative view of what the outcome may be.

Current Long-Range Financial Plan Assumptions: Director of Finance and Information Technology Diane Hellekson provided a review of the current Long-Range Financial Plan assumptions. She said that most of the major assumptions provided to the Board in December 2010 remained valid in February 2011 with one major exception; fuel costs were revised upward before the revised plan was approved by the LTD Board. Since February 2011, fuel costs had continued to rise, and the $3.00 per gallon average assumed for FY 2011-12 is no longer likely. Additionally, early in the current State Legislative session, it was assumed that the Business Energy Tax Credit (BETC) programs would continue; but it now appears that all BETC programs will sunset in FY 2011-12.

Ms. Hellekson reviewed the general assumptions, strategic assumptions, and revenue and expense summaries. Staff recommended that the Board increase the assumption for the average cost of fuel in FY 2011-12 to $3.75 per gallon; eliminate revenue from the BETC program after the legislation sunsets in FY 2011-12; and offset, but not replace the loss of the Student Transit Pass Program with revenue from the sales of youth passes.

Local Economic Factors and Trends: Ms. Hellekson reviewed the local economic factors and trends, noting that the revenue had been fairly consistent for the period of 2007 to 2009. Staff recommended that the Board discuss the topic and, if there was consensus at the work session, staff would incorporate the input into future Long-Range Financial Plan revisions. The creation of a new restricted fund would require extensive research and effort by a work group, which would bring a recommendation to the full Board.

Mr. Pangborn stated that LTD did not face a deficit situation as previously predicted based on the assumptions of a modest growth in the payroll tax base and a loss of state revenue. LTD had planned to replace older, less-efficient buses by borrowing the money, but received $8.3 million from a grant from the federal government to fund 24 new buses.

State and Federal Climates: Director of Service Planning, Accessibility, and Marketing Andy Vobora said that additional funding for Accessible Services was obtained from the 2009 legislative session in an amount of $1 million per year for over two years. This additional funding will not continue past FY 2010-11.

Lane Transit District also has requested matching funds for the West Eugene EmX Extension (WEEE), a request that is assumed will be funded. Lottery bond funds of $1.6 million, approved in the 2009 session, will be available to support the continued planning of WEEE.

In response to a question from Mr. Eyster, Mr. Vobora said that if LTD did not receive the second and third installments of lottery funds, the funds could be reallocated for education, economic development, and restoration programs within the state.

Mr. Pangborn clarified that the legislature had the authority to sell bonds backed by lottery dollars. If the WEEE project did not move forward, the State would reallocate LTD's allotment to other projects.

Mr. Vobora stated that in 2009 the Oregon Legislature approved an increase of the maximum payroll tax rate, and that LTD would not consider beginning the ten-year implementation process until after January 1, 2015. The 2011 State Legislature was considering legislation that would place restrictions on raising the tax rate and in allocating capital funds for transit projects. The federal budget continued to be debated in Washington, D.C., leaving agencies with uncertainties regarding grant funding. It was clear that congressionally directed spending or earmarks would not occur through the appropriations process used in recent years. The Federal Transit Administration would offer grant opportunities that LTD could seek in order to pay for the Gateway Park & Ride project and the fourth EmX corridor planning. Federal formula funds (5307) were approved at current levels through the current federal fiscal year. Staff recommended that the Board should assume that BETC programs would be eliminated and 5307 funds would be maintained and increased to 2.5 percent under a new transportation bill.

Mr. Gillespie asked if federal rail funding that was being refused by some states would be reallocated.

Mr. Vobora stated that Mayor Kitty Piercy delivered letters related to rail funding signed by the mayors in cities along the Interstate 5 corridor to federal officials during the recent United Front trip.

Mr. Pangborn stated that the governors of Florida and Wisconsin had said they would not move ahead with federally funded rail projects. Some members of Congress wanted to cut those funds from the federal budget.

Fuel Cost: Director of Maintenance George Trauger reviewed the history of oil prices, noting that the price was around $16 a barrel in 1999, and oil reached a peak of $147 a barrel on January 2, 2008. The FY 2011-12 Budget assumed diesel fuel would cost an average of $2.40 per gallon, and actual costs from July 1, 2010, through April 6, 2011, were $2.64 per gallon. Staff recommended the Board assume an average price of $3.00 per gallon in FY 2011-12 and that the cost would increase 3 percent per year in the future.

New Investment Priorities: Ms. Hellekson said that while the possibility of new investment was not on the horizon for several years, staff believed it would be helpful to get a sense from the Board and Budget Committee on their priorities when opportunities arose in the future. Such opportunities could include the following:

- The creation of restricted operating reserves
- Restoration of service
- Expansion of service
- Reducing unfunded liabilities such as pension and Health Reimbursement Arrangement accounts
- Setting aside local match for future capital projects

Mr. Wong said that he believed that all of the opportunities were worthwhile, but he was not convinced that restricted operating reserves provided additional protection for the funds. He suggested that the Board rank the opportunities for funding as money became available.

Mr. Dubick said that if the list was prioritized, he would put restricted operating reserves on the bottom of the list. He was concerned about unfunded liabilities and would prefer to address those issues first.

Mr. Kortge suggested identifying and prioritizing service issues.

Mr. Nordin suggested making intermodal transport between buses and bicycles more visible, convenient, and easy.

Ms. Towery supported prioritizing the list and putting unfunded liabilities at the top of the list, followed by service. She added that prioritization would open up opportunities for additional public input and engage the public in a proactive way.

Mr. Hinds supported prioritizing the list to determine the long-term service flat-line base provided to the community in a manner that prevented the frequent increases and decreases to service levels.

Mr. Gillespie supported prioritizing the list. He heard no discussion by the Committee of increasing revenue through new revenue streams. He added that he wanted to improve the connection between LTD service and Amtrak arrivals from Vancouver.

In response to a question from Mr. Wong, Ms. Hellekson reviewed the operating reserve history, observing that payroll taxes stabilized in the late 1990s. The Board created the reserve, setting $1 million for LTD's self-insured program, $1 million for current-year working capital, and $1 million for future working capital. She suggested the operating reserve should be revisited.

Mr. Wong supported revisiting the program, noting that the operating budget was increasing, and $3 million needs to grow as the operating budget increases.

Mr. Gerdes agreed with prioritizing the list and putting unfunded liabilities at the top.

Mr. Dubick said that a sustainable level of service versus restoration or expansion of services should be prioritized before other issues were addressed.

Ms. Hellekson said that staff would develop a process for prioritizing for review by the Committee.

Mr. Kortge expressed interest in the fuel price hedging issue. He said that if LTD's interest was in transporting people, its expertise may not be in hedging.

Mr. Eyster concurred with Mr. Kortge.

Mr. Trauger had discussed the issue with LTD's fuel supplier. He said hedging may be a way to hold the line with spiraling prices. Although it would add about seven cents per gallon, he understood the contract would be in effect for 30 days. If fuel costs decreased during the contract period, the lower amount would be paid.

Mr. Gillespie said that LTD would be better off estimating on the high side if it could adapt a lower price back into the General Fund revenue, rather than estimating on the low side and needing to make up the difference elsewhere. Previous data showed that when gas reached $4.00 per gallon, everybody rode the bus. He was less conservative on the pension plan. A problem was that employers did not own up to their liability, and it was important for LTD to fund that liability. He noted that a number of people responded that LTD should encourage an early retirement plan, but public employers had been slow to move to that option.

Mr. Wong suggested that staff conduct a mid-year review of the FY 2011-12 Budget looking at the cost of fuel as well as the actions of the 2011 Oregon Legislature and the U.S. Congress, and make necessary adjustments. It was possible that the budget line for fuel would be lowered and those funds reallocated to support something else.

Mr. Pangborn stated that LTD had done mid-year reviews in the past.

Ms. Hellekson added that mid-year reviews drove the combined citizen Budget Committee/Board work sessions in November and December.

Mr. Kortge thanked staff for reframing the information and creating a new business model with which to move forward.

In response to Mr. Eyster's question related to the payroll tax, Mr. Gerdes said that he was still pessimistic because of the loss of a huge segment of the manufacturing industry in the community, which would not be replaced by service sector employment. He thought that high unemployment rates would continue until those jobs were replaced.

Mr. Gillespie noted that jobs that had replaced those manufacturing jobs had lower wages, fewer benefits, and fewer hours.

RECESS: Mr. Eyster called a brief recess at 2:34 p.m.

RECONVENE: Mr. Eyster reconvened the meeting at 2:50 p.m.

Wages and Benefits: Mr. Pangborn said that wages and benefits had been one of the most current and contentious issues in public sector budgets, noting that 71 percent of LTD's operating budget was wages and benefits.

Director of Human Resources and Risk Management Mary Adams said that LTD regularly reviewed wages and benefits to ensure that this part of the budget was well managed. She explained that the Board was recently given a pension values questionnaire to help with the design of a future pension plan. She reviewed the results of the questionnaire, and she explained that both the salaried and ATU pension plans were similar and had a defined benefit element. Both plans experienced significant losses in value during the 2008-09 investment market downturn and have had moderate recovery since. Due to the level of unfunded liability, the benefit would grow at a faster rate than projected revenues in the future. Approximately two-thirds of LTD's contributions to the union plan pay for the unfunded liability of the plan, and one-third of the contributions pay for the future liability of the plan; while the formula was approximately 50/50 for the administrative plan.

Mr. Gerdes asserted that LTD needed to move towards a defined contribution retirement plan and away from a defined benefit retirement plan.

Ms. Towery concurred that there needed to be a shared responsibility and/or employee contribution to the pension plan.

Mr. Wong supported a shared responsibility in conjunction with a 457 program, where the employee contributed to the retirement plan and perhaps took the responsibility for picking the investment options. The employer's contribution was more stable and would result in a defined benefit.

Mr. Gerdes said that he believed in matches on the shared piece to incentivize people to participate in the plan by taking some responsibility for their retirement issues.

Mr. Gillespie stated that his employer, the City of Eugene, provided a matching contribution for its deferred compensation program for non-represented employees, but did not provide a matching contribution for represented employees. This had resulted in a move away from participation in the program by represented employees because they did not receive the match. He asserted that virtually no employee was equipped to deal with their own investment plan. He supported the shared responsibility, but there was an inherent inequality in the relationship.

Mr. Eyster said that as an employee, he preferred to have control over his investments rather than have them be controlled by his employer. He stated his opinion that LTD bus drivers were very capable of directing their retirement funds. He said employees should have the option to choose a professional investment manager. He said that he leaned toward a defined contribution by LTD.

Mr. Dubick stated that an underlying issue was shifting the investment risk entirely from the employer to the employee, as happened in the private sector. He encouraged creation of a future plan that would limit LTD's unfunded liability. He struggled with LTD treating employees in a paternalistic manner by totally directing their investments.

Mr. Gillespie noted that professional employees in the public sector were generally paid less than professional employees in the private sector, whereas classified employees in the public sector generally had better benefit packages than their private sector counterparts but were paid less. He asked how LTD would attract qualified professional employees if it did not have the ability to provide cost of living increases or other benefit enhancements.

Ms. Adams said that LTD's actuary would be asked to provide some draft designs that would meet the values discussed today for review by the Human Resources Committee on April 26.

Ms. Adams reviewed the recent history of the health plan at LTD. She noted that there was a need for plan changes. The current plan had a high utilization, and premium renewal quotes were more than 20 percent higher than the current year. She said that all employees were currently on the same health care plan, with higher deductibles than in previous years. LTD provided some reimbursement for those employees with higher plan utilization. LTD continued the model of a contribution towards the Voluntary Employee Beneficiary Account (VEBA) and a health reimbursement account for administrative and represented employees, to provide a source of funds for employees who experienced an unusual health year and for stop loss benefits for all employees. Under the new plan, there had been three months of utilization with about 20 percent lower utilization than the last two years. Other issues that would impact the health plan were new State of Oregon health exchanges, unknowns about federal reform, an aging workforce, and national trends towards obesity and poor health habits. Staff continued to research changes that would provide for better disease management, noting LTD currently had an aggressive disease management program for diabetic employees. LTD was participating in a two-year Oregon Health Strategies project that assessed the costs of all benefits, including workers' compensation, group health, and absenteeism to determine where employers best spent their time and energy to reduce the overall costs of benefits.

Ms. Adams reviewed the history of the last four labor contracts: The 2000 contract included a 4 percent annual increase; the 2004 contract had a 2 percent annual increase; and the 2007 contract had a 3.4 percent annual increase. The current one-year contract contained no increase. Negotiations were underway for the next contract. The national trend was approximately 2.5 percent in 2010. The transit industry had recognized the Country was in a recession, and recent contracts had changed substantially in the wage increase area. LTD was in the mid-range for bus operators and on the high side for mechanics.

Mr. Gillespie asked what the average overtime was for bus operators and mechanics.

Director of Transit Operations Mark Johnson said that bus operators worked approximately 12,000 scheduled and unscheduled overtime hours annually.

Mr. Davidson left at 4:20 p.m.

Mr. Evans arrived at 4:22 p.m.

Mr. Trauger stated that the mechanics do not work much overtime.

Ms. Hellekson summarized the discussion: a new health plan would likely be in place by January 1, 2012; the Committee was okay with $3.75 per gallon for fuel in 2011-12; all major assumptions needed to be revisited in the fall; and staff would create a process for prioritizing new investment opportunities. She said that Mr. Gerdes had asked if the retirement plans could lend money to LTD, and could the retirement plans invest in private businesses during the budget process last fall. Staff had researched the questions and determined that both actions were possible. This would be added to a future Finance Committee agenda for discussion.

RECESS: Mr. Eyster thanked Budget Committee members for attending the meeting. He called a brief recess at 4:25 p.m., noting that the Board would reconvene in Executive Session after the 10-minute recess.

RECONVENE: Mr. Eyster reconvened the meeting at 4:35 p.m.

MOTION **EXECUTIVE SESSION:** Mr. Kortge moved that the LTD Board of Directors meet in Executive Session pursuant to ORS 192.660(2)(d), to conduct deliberations with persons designated by the governing body to carry on labor negotiations. Mr. Necker provided the second.

VOTE The motion was approved as follows:

AYES: Dubick, Eyster, Necker, Evans, Towery, Kortge, Gillespie (7)
NAYS: None
ABSTENTIONS: None
EXCUSED: None

The Board entered executive (non-public) session at 4:35 p.m.

RETURN TO REGULAR (OPEN) SESSION: The Board returned to regular session at 5:35 p.m.

AUDIENCE PARTICIPATION

Bob Macherione, 1994 Brewer, Eugene, stated that Our Money Our Transit (OMOT) was not the enemy of LTD just because the group felt that it needed to provide input and act as a watch dog. He had read the LTD Long-Range Financial Plan, and he said that it was difficult to forecast budgets this far into the future. Referring to the Ending Working Capital portion of the Plan, he noted that more than $8 million would be spent over the next five years just trying to balance the budget. In this process some Accessible Services money would be lost. He noted that the budget assumed 5307 funds, which comprised a sizable portion of operating funds, were coming. These funds were used for preventative maintenance and comprised between $3.5 million (in FY 2010-2011) and $4.2 million (in FY 2018-2019) of the budget. However, if the Transportation Bill did not come out the way LTD anticipated, he said that a massive shortage would occur. He did not know if this would be recoverable or sustainable without more service reductions.

Mr. Macherione said that he wanted LTD to be fiscally responsible and sustainable into the future. He acknowledged that the West Eugene EmX numbers had been recalculated and were more accurate possibly in part because the numbers now anticipated fuel cost increases. He was concerned that with the new numbers, the West Eugene EmX seemed even a less viable, sustainable project. He thought that LTD had gotten the short end of the stick because it had been told to send the next EmX extension down W. 11th. He suggested consulting with businesses prior to making such a decision in the future. He noted that had this been done, LTD would have known that there was a lot of opposition to EmX's location on W. 11th, and then they could have shared this with the Eugene City Council. Another item that was not addressed in the long-range planning was unfunded liabilities. He did not think that LTD could continue to ignore these liabilities, and he thought that the most important thing that LTD could focus on was maintaining service into the future in the most efficient, sustainable way.

Mr. Vobora noted that the 5307 funds listed on the Long-Range Financial Plan were only those funds that would go toward preventative maintenance. Not all 5307 funds were included on the document. Unless a large cut was made to 5307 funds, such as fifty percent, the preventative maintenance dollars would be maintained.

Mr. Macherione said that he understood, and then he noted that 5307 funds for operating purposes was a dangerous thing to rely upon.

ITEMS FOR ACTION AT THIS MEETING

General Manager Selection Process: Senior Human Resources Analyst David Collier referred to the general manager position proposed timeline and noted that Mr. Pangborn's departure date had been changed from June 1 to June 30. Mr. Collier then referred to the Company Position Overview that had been provided by the Generator Group, which was based on input from community members, LTD staff, and Board members.

MOTION **LTD Resolution No. 2011-010:** Mr. Evans moved approval of LTD Resolution No. 2011-010, approving the standards, criteria, and policy directives for the next LTD general manager as described in the LTD General Manager Position Overview and LTD General Manager Success Profile. Mr. Dubick provided the second.

VOTE The motion was approved as follows:
AYES: Dubick, Eyster, G. Evans, Gillespie, Necker, Kortge, Towery (7)
NAYS: None
ABSTENTIONS: None

ITEMS FOR INFORMATION AT THIS MEETING

Lane Transit District Boundaries: Director of Service Planning, Accessibility, and Marketing Andy Vobora shared an LTD Boundary map with the Board and said that the LTD Finance Committee had discussed the LTD boundary at its last meeting.

A business person in Cottage Grove had recently asked how LTD set its boundaries, and Mr. Vobora stated that he was on the agenda for the Cottage Grove City Council meeting that night (on April 11) to provide an update on service and provide boundary information. This particular business person and the city manager both planned on being there to hear the presentation.

Thistledown Farms, which was on River Road in Junction City just north of the Urban Growth Boundary (UGB), had contacted LTD to say that it no longer received bus service. Some of its employees and customers had used the bus line, and the owner stated that it was not equitable for the business to be charged a tax if it did not receive service.

Mr. Vobora said that when the boundaries were originally set, LTD was an urban system and existed only within Eugene-Springfield. Then in the mid-1970s, the District expanded to rural areas. Within Oregon Revised Statutes (ORS) rules, boundaries could be set using a variety of different lines. One of these was census tracts, and at one point LTD had used census tracts that extended to County lines. ORS stated that a mileage standard also may be used to set boundaries. Therefore, LTD had decided to use the mileage standard of 2.5 miles outside of a route, which was a reasonable distance for a person to bicycle or drive and park. Cottage Grove and Creswell joined the District in 2000, and the boundary line was aligned along the I-5 corridor, between Goshen and Cottage Grove/Creswell because bus service is inaccessible for bus riders along this section of the route. The boundary lines expand to align with the UGBs of Cottage Grove and Creswell. If LTD changed its boundaries, it would outline new buffered boundary lines, as shown on the map which was displayed for the Board's information. In the interest of accessibility, Service Planning staff had spoken with the LTD Finance Committee about what was a reasonable walking standard going down either side of the line at ¾ of a mile or at ½ of a mile. Mr. Vobora asked the Board if the distance from a route should be ½, ¾, or 2½ miles, and should it be different in rural areas?

Mr. Vobora then referred to the map legend. LTD determined that if the boundary was at one mile, it would exclude any residents or businesses between the one mile and 2½-mile boundaries. There were 196 total businesses identified through payroll tax records, and 132 of those were payroll taxpaying businesses. Some may have been self-employed people, but more analysis was needed to get a more refined number. In 2009 these 132 firms paid $152,500 in payroll taxes. At ¾ of a mile, the tax revenue went up to $208,300. At ½ of a mile, it was $570,600. He noted that the data did not account for outside businesses doing work along corridors within the boundary, for example, Portland businesses.

Mr. Vobora said that this issue came up every year around tax time. The Finance Committee had discussed that even within the urban area, businesses existed that did not have service. For example, Weyerhaeuser was a good distance from Main Street but was a big payroll contributor. He noted that all in the District paid payroll taxes so that the region could have good bus service. If the Board chose to change the boundary, LTD would go through a process beginning with a new ordinance. When the boundary line was set, staff would establish the new boundary based on a process of evaluating each property on a property to property basis; and this would take time. After that was done, readings of the ordinance would be done, and then the new boundary would be adopted. LTD would then notify the Department of Revenue, and the new boundary would take effect on January 1, 2012.

Mr. Dubick said that he thought it was a tough time to be examining a vehicle for reducing revenue. He stated that he was opposed to changing the entire boundary.

In response to a comment by Mr. Gillespie, Mr. Vobora said that Thistledown Farms was only 1½ miles from Spring Creek, where route 51 turned around to head back to the Eugene Station. Thistledown Farms was just outside the UGB.

Mr. Eyster said that it sounded as though there was not much interest in changing what was already in place. He said that he knew that staff analyzed the issue when it came up in order to determine if there was a special circumstance that the Board would want to take into consideration. He asked if this was what he was hearing from the other members of the Board.

The Board members expressed their agreement.

Mr. Dubick said that he understood Thistledown's position, but expressed that LTD had other responsibilities that it had to maintain at this point.

Mr. Pangborn said that LTD boundaries were less than were required by state law. Creating more restricted boundaries would be a judgment call about what was fair and reasonable.

ADJOURNMENT: Mr. Eyster adjourned the meeting at 5:54 p.m.

LANE TRANSIT DISTRICT	ATTEST
Dean Kortge	Jeanne Schapper
Board Secretary	Administrative Services Manager/ Clerk of the Board

Date Approved: November 16, 2011

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