MINUTES OF DIRECTORS

STRATEGIC PLANNING SESSION

LANE TRANSIT DISTRICT

SPECIAL MEETING

Friday, February 10, 2012

Pursuant to notice given to *The Register-Guard* for publication on February 5, 2012, and distributed to persons on the mailing list of the District, the Board of Directors of the Lane Transit District held a strategic planning work session on Friday, February 10, 2012, beginning at 9:00 a.m., at PacificSource, 110 International Way, Springfield.

Present:

Board
Mike Eyster, President
Greg Evans, Vice President
Dean Kortge, Secretary
Ed Necker, Treasurer
Gary Gillespie
Doris Towery
Michael Dubick

Budget Committee:
Warren Wong
Jon Hinds
Donald Nordin
Dwight Collins (arrived 12:30 p.m.)
Peter Davidson (arrived 12:30 p.m.)

Staff
Ron Kilcoyne, General Manager
Diane Hellekson, Director of Finance and Information Technology
Tom Schwetz, Director of Planning and Development
Mary Adams, Director of Human Resources and Risk Management
George Trauger, Director of Maintenance
Mark Johnson, Director of Transit Operations
Andy Vobora, Director of Service Planning, Accessibility, and Marketing
Steve Parrott, Information Technology Manager
Joe McCormack, Facilities Manager
John Evans, Senior Project Manager
Jeanne Schapper, Administrative Services Manager/Clerk of the Board
Todd Lipkin, Finance Manager
Lynn Taylor, Minutes Recorder

CALL TO ORDER/ROLL CALL: Mr. Eyster called the meeting to order at 9:00 a.m. and called the roll.

WELCOME FROM BOARD PRESIDENT: Mr. Eyster welcomed Board and Budget Committee members and thanked them for attending the work session. He acknowledged Greg Evans, who will be receiving the 2012 Trailblazer Award from the Oregon Northwest Black Pioneers this coming Saturday.

WORK SESSION

Strategic Plan Update: Director of Planning and Development Tom Schwetz said that the LTD *Road Map* was last reviewed in 2009. The Leadership Council had discussed whether LTD's goals, priorities, and strategies would lead to delivering LTD's vision. *The Road Map* is a useful tool to examine those questions because it contains LTD's Vision, Mission, Values, and Goals with Outcomes, and Implementation Strategies. He said that the review would focus on goal language, and staff would develop proposed language for more specific outcomes and strategies based on the Board's discussion. He asked the Board to examine the five Goals contained in *The Road Map* and determine if they encompassed all aspects of LTD's Vision and how best to integrate *The Road Map* and Long-Range Transit Plan (LRTP) work.

Mr. Schwetz stated that *The Road Map* introduction set forth LTD's purpose and services, but the Vision Statement is a single sentence that could be revised and strengthened when that section of *The Road Map* is reviewed. There is general agreement that the Mission Statement and Core Values are acceptable as written. Mr. Schwetz said that the District had done a good job of integrating the Core Values throughout the organization and operations.

Mr. Eyster observed that bus drivers did much more than operate the bus; they were public relations representatives for the District, maintained order and safety on the bus, and assisted riders in many ways. He added that he hoped that there were ways to acknowledge those aspects of the District's bus operator service.

Mr. Evans said that he felt that the Mission Statement should include the term "affordable," as that is a key element to maintaining transit accessibility. Mr. Schwetz said that affordability is under a broader accessibility umbrella.

Mr. Necker observed that accessibility had two meanings: accessible to the public and accessible to the disabled.

Mr. Eyster said that the District has a history of innovative leadership and cutting-edge service, and he hoped that the Mission Statement or Core Values could reflect that legacy. Mr. Hinds agreed with the need to give credit to LTD's national leadership in delivering transit services.

Mr. Gillespie said that LTD's contribution to the community's quality of life by providing good, living-wage jobs also should be acknowledged.

Director of Service Planning, Accessibility, and Marketing Andy Vobora said that the section on brand components addressed more than logos and colors on buses; it included how the District operated as set forth in the sections on position, personality, and promise. He said that the challenge is how to further integrate those things into the District's culture.

Ms. Towery said that the District needed to better publicize the outstanding services that operators provided and the commendations that the District receives.

Mr. Schwetz said that *The Road Map* initially contained six goals, but staff are proposing merging Goals 5 and 6 into a single goal and adding a section on strategic context for the plan. He agreed with a suggestion that the context should be more global and not limited to the nations of Brazil, Russia, India, and China ("BRIC" Nations). He said that each goal has near- and long-term performance outcomes, and objectives from the LRTP are incorporated into *The Road Map* as long-term outcomes. He said that implementation strategies are organized into categories of current year, near-term (2-5 years), mid-term (6-10 years), and long-term (+10 years).

Goal 1 Discussion:

Mr. Necker said that the word "innovative" should appear somewhere in the goal to reflect that LTD is innovative in its makeup as a public transit agency. He said that the use of bus rapid transit as a more effective use of resources is an example.

Mr. Gillespie said that when data is presented, such as an increase in ridership, it should be compared to the appropriate goal to measure achievement or identify need for improvement.

Ms. Towery said that having a dashboard-type of display on the LTD website could demonstrate the District's goals and performance measures and how well LTD is performing in those areas. It could provide the public with a better sense of the District's achievements and efforts to improve services.

Mr. Kilcoyne commented that it also is important to present the dashboard to employee teams so that they could see how well they are performing against established goals. It also could remind them of where the District wanted to go and areas where improvements could be made.

Mr. Nordin noted that the goal referred to ridership, but that LTD is actually part of a network of agencies that are trying to improve transportation within the region. Transit ridership is just one component. Other components could be ease of movement, decrease in congestion, or other things that facilitated flow of travel within the community; although, he is not certain how ease of flow could be measured. Mr. Kilcoyne said that Goal 1 focused on the bus system while goals 2 and 3 better addressed the role that LTD played in the regional system.

Mr. Kortge said that the word "productivity" in the near-term outcomes should be defined, and the word "equitable" in the long-term outcomes is vague. Mr. Schwetz said that in the paradigm of productivity versus coverage, coverage is the equitable issue.

Mr. Kortge said that he felt that the term "equitable" could be misinterpreted to mean that coverage throughout the system should be the same. He preferred to see the word "coverage" used instead, and he suggested the phrase, "increase system boardings," be substituted for "productivity."

Mr. Dubick said that the outcomes should be listed so that they first address the goal of providing high-quality, effective, safe, and reliable service.

Ms. Towery said that she hoped that the dashboard could celebrate LTD's successes and how they contribute to the successes and mutual goals of the District's transportation partners. She gave the example of how EmX had improved a problem intersection in Springfield by helping the City achieve its goal of improving safety and traffic flow at that location. She said that there should be a venue for celebrating those types of regional partnerships and achievements. Mr. Vobora said that staff are looking at a dashboard model used by TriMet to demonstrate how the system is performing overall. Finance Manager Todd Lipkin added that the challenge is integrating data from a variety of sources to easily produce reports and information that can be used on a dashboard.

Mr. Hinds said that improving pedestrian and bicycle access is an important goal. He gave examples of how LTD transportation improvement projects had achieved improved safety for everyone. He has heard many riders express appreciation for the increased bike capacity on EmX buses. Mr. Schwetz said that there will be future presentations to the Board on bike sharing, car sharing, and bike parking, which are all things that will enhance ridership satisfaction.

Mr. Evans said that LTD is more than just a bus service; it delivers an integrated network of transportation options. Those things should be pointed out, as well as the economic development aspect of public transit. He said that the business community did not always see the value of the services that LTD delivers. Mr. Vobora suggested working with Tim Duy with the Oregon Economic Forum to develop data about the economic impact of a transit system on a community.

Mr. Eyster asked to be sure that Mr. Necker's comment was noted regarding including the word "innovative" in the first goal.

Mr. Kilcoyne commented that he perceived innovation as a means and not an end. The District wanted to be open to the best way of accomplishing its goals. He said that he felt that "innovative" is an approach; "exceptional" is the goal.

Goal 2 Discussion:

Mr. Evans supported the goal, but suggested that it be reworded so as not to seem adversarial to the automobile. He said that the District wanted to reduce dependency on the automobile, but its role is to enhance the overall transportation system by being a complementary element to vehicle traffic and not to rid the roads of cars. The District is trying to increase the efficiency of travel through the area by providing a mass transit alternative that is complementary to other transportation modes.

Mr. Schwetz agreed that reducing automobile dependency is a desired outcome instead of a goal. Mr. Vobora said that the goal is to increase mobility throughout the system. Mr. Lipkin said that the District is not exclusively about reducing automobile use, but it is more focused on reducing single-occupancy automobile use. Mr. Kilcoyne said that the District provided an attractive alternative to driving alone in a car.

Mr. Dubick added that there are other aspects to reducing automobile dependency, such as reducing congestion and greenhouse gases that should be addressed in the goal.

Director of Finance and Information Technology Diane Hellekson said that another aspect of the goal is to increase travel capacity on existing corridors.

Mr. Gillespie suggested doing counts of the number of single-occupancy vehicles and other vehicles that traveled along the West Eugene EmX Extension corridor, such as 6th and 7th Avenues. This might help to establish a benchmark for determining whether EmX did improve traffic flow.

Mr. Kortge said that he felt that reducing the number of single-occupancy vehicles could be an outcome. In response, Mr. Schwetz said that reducing congestion during peak periods is a specific goal listed in the Regional Transportation Plan.

Mr. Hinds said that signal priority for buses at peak times, such as when Sheldon High School is letting out for the day, could improve traffic flow on Coburg Road and also would help the buses get to their destinations on time.

Goal 3 Discussion:

Mr. Kortge suggested removing the phrase "in addition" from the last sentence in the goal. He said that the goal should be emphatic about living within the District's budget.

Mr. Dubick suggested moving the modified last sentence to the beginning of the goal.

Mr. Hinds said that fiscal integrity included long-range plans to preserve LTD's innovative services such as EmX and Ride*Source* and maintain the facilities to support those services. Strategies for addressing those issues should be apparent to the public in the LRTP.

Mr. Eyster said that an outcome might be to address the need for more diversified funding sources that would balance the District's revenue stream better than reliance on the payroll tax. Mr. Schwetz agreed that it is valid to question whether the payroll tax would be able to fund LTD's vision.

Mr. Evans suggested that the LTD and TriMet Boards meet jointly to discuss financing strategies as they share the same governance model and face the same issues.

Mr. Wong pointed out that the second outcome under near-term performance should be reworded to avoid implying that LTD's overhead is 20 percent. He objected to the use of the word "innovative" in long-term outcome LRTP G-5, 0-3, and suggested substituting a word such as "adequate," "balanced," or "diversified."

Goal 4 Discussion:

Mr. Kortge preferred that the term "progressive" not be used. He saw LTD's goal as being a key player in regional transportation planning.

Mr. Evans suggested the word "proactive."

Mr. Hinds suggested "comprehensive."

Mr. Schwetz said that this could be where LTD articulates what it desires in terms of how the regional transportation system functions. Staff would develop language that described the benefits to a regional transportation system.

Mr. Nordin liked the term "complementary" to describe the LTD role in the system.

Mr. Wong said that the goal as currently written suggests that LTD has taken a leading role in transportation planning; the concept of partnership with others in the region should be incorporated.

Mr. Eyster hoped that the language also could communicate LTD's cutting-edge characteristics.

Mr. Schwetz determined that Board members supported the language in the first near-term outcome that addressed building relationships in order to meet local transportation needs.

Mr. Gillespie said that creating partnerships is inherent in Board members' job descriptions. Members need to maintain contacts in the community, not only with their constituencies, but with the community as a whole. He said that he felt a need to ask people in the community to come speak to the Board about why they wanted EmX rather than waiting from them to come to a meeting and speak out.

Mr. Nordin said that long-term outcome LRTP G-4, 0-7, also should include outlying communities and not be limited to Eugene, Springfield, and Coburg.

Mr. Dubick emphasized the need to publicize to the community what LTD is doing well.

Goal 5 Discussion:

Mr. Gillespie said that involving employees in goals and evaluations and providing them with performance updates could help to accomplish Goal 5 and promote the values of the organization. Bringing the performance dashboard to the workforce is a good approach to achieving employee support of the District's goals.

Mr. Eyster agreed that more emphasis on employee involvement in the ongoing development of goals is needed.

Mr. Evans added that active engagement of employees in developing the District's vision and progressing toward achieving that vision is preferable to simply being aware of the vision.

Mr. Kortge commented that the near-term outcome of limiting medical plan claims is irrelevant to Goal 5, and the last mid-term outcome to implement a comprehensive employee health insurance program should be eliminated.

Mr. Dubick said that the question of employee health should be addressed as a part of the success of all employees. He said that the District should seek employee health as an outcome.

Mr. Wong advised that enhancing or improving the internal communication plan with all employees should be a near-term outcome.

MOTION **EXECUTIVE (NON-PUBLIC) SESSION:** Mr. Kortge moved that the Board 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, Evans, Eyster, Gillespie, Kortge, Necker, Towery (7)
NAYS: None
ABSTENTIONS: None
EXCUSED: None

The Board entered Executive Session at 10:45 a.m.

RETURN TO REGULAR (OPEN) SESSION: The Board returned to regular session at 12:26 p.m.

WORK SESSION WITH LTD BOARD BUDGET COMMITTEE

WEST EUGENE EMX UPDATE: Mr. Kilcoyne provided a brief update on the West Eugene EmX Extension (WEEE) project. He said that the draft Environmental Analysis had been submitted to the FTA for review in September 2011. He said that Rick Duncan of Duncan & Brown Real Estate Analysts was presenting an analysis of the impact on real estate, parking, and access that could result from the project. This information would be added to the Environmental Analysis; and once the analysis is certified by the FTA, it will be released for public comment. Following the 45-day public comment period, the FTA will review the comments received; and the LTD Board and Eugene City Council will be asked to reaffirm their support for the project. He said that project development and final design stages had not yet been reached, and there could be further modifications.

Mr. Duncan provided an overview of the firm's recently completed technical report on the business and property impacts of the WEEE project Locally Preferred Alternative design. He used a map to illustrate the corridor and the extent of impacts along each segment. The scope of work for the analysis included reviewing general descriptions of the properties, walking the right-of-ways, reviewing acquisition maps, identifying potential land use and code issues, identifying existing property constraints or potential direct property impacts, identifying potential direct and indirect property and business effects, and recommending mitigation strategies to minimize those effects where possible.

Mr. Duncan said that of 477 properties abutting the proposed WEEE alignment, 118 with potential impacts were studied. The most impacted properties were the Adult Store on Garfield Street and King's Asian Market on West 11th Avenue. He said that the Adult Store impacts included loss of parking, billboard size and its location, and driveway access. King's Asian Market impacts were to parking spaces. He used diagrams to illustrate those impacts and potential mitigation strategies ranging from acquisition of an entire property to modifications to existing structures. In the case of the market, reduction of a median island on West 11th Avenue could eliminate impacts.

Mr. Duncan said that the study included 28 properties with potential parking impacts totaling 54 to 66 spaces. The range occurred because some properties had parking areas that were not striped, and the number of spaces had to be estimated. He said that parking mitigation strategies would reduce the impact to 20 parking spaces, 13 of which were located on the two most impacted properties, leaving only seven other spaces along the corridor that would be impacted by acquisitions. He described a variety of parking mitigation strategies and used specific properties to illustrate how they might be implemented. He recommended that contractors on the project be allowed to deal with the mitigations required.

Mr. Duncan said that there did not appear to be any property along the corridor that would be classified as "non-conforming use." He said that the goal is to avoid any impact that would result in a property becoming non-conforming. With respect to sidewalks, he said that the City is willing to be fairly flexible with respect to width; however, it would not allow a sidewalk to be less than five-feet wide.

In response to a question from Mr. Gillespie, Mr. Duncan said that contractors on this type of project are typically sensitive to businesses' concerns and make efforts to minimize the disruptions to access by working at night and making sure that other access points are available.

Mr. Duncan summarized that 118 of the 477 properties abutting the proposed project right-of-way were included in the study; there would be no impact to the remaining properties. There were 273 acres abutting the right-of-way; although that could change as a larger parcel determination is made, and acquisitions for the project would be less than 1 percent of that. He said that several properties had no acquisition area, 52 properties had less than 2 percent acquisition area, 35 properties ranged between 2 and 5 percent acquisition area, 19 properties had acquisitions in the 5 to 10 percent range, and three properties were proposed for 100 percent acquisition. Those three properties are owned by the Oregon Department of Transportation (ODOT) and would likely be donated to the project without an acquisition cost. He said that data sheets with more refined information would be included in the final report.

Mr. Duncan described the impacts to Tom's Teahouse, a property on 7th Avenue. He said that it was built as a motel in the 1940s, with two houses on the site; and the use was changed to a residential property in the mid-1990s. Mr. Duncan is not certain if the property is still being used as residential. The impact would take out about two feet of what appears to be a front dwelling unit. As part of the mitigation, the project funds would pay for the portion of the property lost through acquisition and the cost of bringing the property back to its current standard. If that is not possible, the project funds would compensate the owner for the loss of the unit. He said that more detailed information could not be developed until it would be possible to enter the property.

Mr. Duncan said that appraisal work would not be done until engineering work determined the actual acquisitions required along the corridor. Based on the preliminary study, he estimated that the cost of acquisitions and some compensation and mitigation, to the extent they were known at this point, would be less than $4 million. He said that this is a fairly small amount for a project of this size.

Mr. Davidson asked if business interruption, which would require compensation, had been budgeted. Mr. Duncan said that business interruption is not necessarily compensable. Oregon was a "taking and damages" state, which requires paying for real estate that is taken or damaged. There were federal requirements for appraisals before and after a project to determine impact.

Mr. Nordin asked if there was any consideration of whether a property became more valuable because of a project. Mr. Duncan said that when acquiring property through imminent domain, the project influence was not considered.

Mr. Duncan said that a final draft of the report would be submitted to the FTA in a week.

Mr. Eyster commented that the report was a snapshot of a moving picture as the project moved through each stage. He said that the District had an obligation to provide the information to the properties and businesses that would be impacted by the project.

Senior Project Manager John Evans said that letters to business and property owners had been drafted and would be sent out when Mr. Duncan's report was posted on the LTD website. The letters would direct owners to the report and offer to have LTD staff visit them to discuss specific impacts to their property.

RECESS: Mr. Eyster called a brief recess at 1:25 p.m.

RECONVENE: Mr. Eyster reconvened the meeting at 1:40 p.m.

CURRENT YEAR BUDGET UPDATE: Ms. Hellekson said that there had been small improvements to the local economy across all sectors. She said that economists estimated a return to pre-2008 levels by 2014. She said that there had been a significant decline in passenger fares as a result of losing the Business Energy Tax Credit (BETC), which funded the Student Transit Pass program. The current budget included $1 million in BETC funds and was adopted before the District knew the funds would no longer be available. Ms. Hellekson estimated that between $300,000 and $500,000 in revenue could be recovered through the purchase of passes by students and parents. She noted that group pass purchases by the Springfield School District and some private schools also had helped reduce the deficit.

Ms. Hellekson said that through January, payroll taxes were up 3.1 percent over last year. She noted that there was a payroll tax rate increase in January, and she anticipated that the payroll tax budget for the fiscal year would be achieved. She said that personnel services were strictly under control, with less than a 1 percent growth during the last year. Fuel is budgeted at

$3.75/gallon and costs through January were at $3.18/gallon. The District had 263,000 gallons of fuel at the Coos Bay storage facility, which was purchased at $3.10/gallon. She expected to end the fiscal year with a positive variance in fuel.

Ms. Hellekson distributed copies of the *Budget Calendar: Budget Year 2012-13* and the current revised draft of the Long-Range Financial Plan (LRFP), the first year of which would serve as the template for the FY 2012-13 budget. She reminded the Board that the District is currently without a labor contract for the majority of employees represented by the Amalgamated Transit Union (ATU) so there could be no discussion of personnel services assumptions outside of an executive session. She said that a lump sum had been inserted as a placeholder and no specificity was provided.

FISCAL YEAR 2011-2012 LONG-RANGE FINANCIAL PLAN (LRFP) UPDATE: Mr. Lipkin noted a correction to the Budget Calendar: that the LRFP would be presented to the Board in April, not in March as shown.

Capital Improvements Program: Mr. Lipkin said that the Capital Improvements Program (CIP) was being drafted and would be completed by the end of February. Public comments on the CIP would be accepted during the month of March, with a public hearing at the March 21 regular Board meeting. He said that staff were researching possible applications for several sources of FTA funding and would again apply for bus replacement funding. He then reviewed the schedule for public comment, review, and approval of the CIP and budget.

Service Level: Mr. Vobora reported that no reductions were planned to the current service levels, but some minor route changes had been implemented to improve efficiency. He said that the Annual Route Review would be less robust this year because there were no funds to add service. He said that some minor route modifications would be presented to the Service Committee and then to the LTD Board. Mr. Vobora reported that trips heavily used by students were being evaluated to determine which would remain and which could be eliminated. A slight service increase is being proposed for the EmX service; and reshuffling of service throughout the system would result in a net service add, but no budget increase. He observed that there were many full buses on routes, and discussions were being held with the University of Oregon and Lane Community College as part of the group pass conversation about purchasing service to supplement current routes.

Mr. Gillespie asked if downtown routes could be scheduled to leave the downtown station at five minutes after the hour and half hour to allow people who got off work at 5:00 p.m. or 5:30 p.m. time to catch the bus instead of waiting a half hour for the next one. Mr. Vobora said that possibility had been discussed for both morning and evening hours. He would discuss that again with service planners, but cautioned that there would be a cost as the entire system would need to shift.

Mr. Kortge asked if there was a dollar amount related to increased costs and/or a drop in revenue that triggered the need for service redesign throughout the system. Mr. Vobora said that the District looked to achieve cost savings elsewhere in the organization before considering services. Ms. Hellekson said that it would depend on whether the increased expenses or loss of revenue were permanent or temporary, which is why the District maintained reserves. Mr. Lipkin said that preventive maintenance had been a budget balancing tool in the last few years to ensure that the level of service could be sustained.

Information Technology Manager Steve Parrott asked how much elasticity there would be in the service plan before economic changes forced a major service redesign. Mr. Vobora said that during the last service redesign, the Board had been provided with information on various levels of service reductions, such as EmX frequency, Ride*Source* and weekend service, and the dollar amounts associated with them. He said that he felt that the current level of service left little that could be reduced without major impacts.

Mr. Collins asked for an explanation of the increase in ridership at the same time that fare revenue decreased due to loss of BETC funds. Mr. Vobora said that farebox revenue is up, while overall fares were down because of BETC. He said that an increase in ridership likely resulted from increased use of the Group Pass Program. He said that, in general, the group pass programs balanced out, with some groups using the program intensively while others did not. With group pass programs there could be a large ridership increase without the commensurate revenue.

Mr. Gillespie asked if the proposed fare increase is intended to offset some of the lost BETC revenue. Ms. Hellekson replied that fares had not been raised in four years and the intent is to catch up with expenses.

Payroll Tax: Ms. Hellekson explained the process involved in raising the payroll tax to .008 percent, which includes a finding by the Board of local economic recovery. She reviewed the options for implementation of a payroll tax increase to .008 percent. She said that no immediate decision is necessary, and if the assumption is left in the LRFP, it could be changed next year.

Mr. Kortge asked how economic recovery is measured and noted that the pre-2008 number of jobs would not be restored until 2015. Ms. Hellekson said economic recovery is measured by the number of quarters of improvement, not the number of jobs.

Mr. Kortge preferred to wait until 2014 to begin considering a payroll tax increase.

Mr. Dubick said that he is comfortable with considering 2014 as the projected date as it could always be changed if economic circumstances warranted.

Mr. Kortge commented that health insurance premiums are reportedly increasing by 40 percent in 2014 and that factor should be considered in the District's financial planning.

Ms. Hellekson pointed out that removing the assumption of continuing the incremental progression of the payroll tax from the LRFP would have significant impact on out years.

Federal, State, and Local Revenue: Director of Human Resources and Risk Management Mary Adams reported on the legislative session. She said that House Bill 4028, which included some funding for transit (although not specifically for LTD), had passed out of committee and is moving through the legislature. She said that it appeared unlikely that bills that would create new debt for the State would not be passed by the Senate.

Mr. Vobora said that reauthorization of federal transportation legislation is unlikely to occur until 2013 because the Senate and House versions are so far apart. He said that a House bill would remove transit from the Highway Trust Fund and place it in the General Fund; and while the Senate bill would keep transit in the Trust Fund, it would take discretionary funds and put them into formula fund distribution. The amount received on a formula basis would be too small for bus purchases unless saved up over a long period of years.

Mr. Lipkin added that conversion of discretionary funds to formula funds could require LTD to debt finance bus purchases and pay them off over a long period of time with the formula funds. He said that new federal guidelines for the 2012 appropriations allowed fuel to be an eligible capital expense and treated as preventive maintenance.

Fare Changes: Mr. Vobora observed that there had been no fare increases since 2008 and there was a small pass price increase in 2010. He said that staff would probably recommend a fare increase of 25 cents, and an analysis of potential revenue and impacts on riders would be done. The Board would determine in March whether it wished to proceed with the fare increase process.

Mr. Gillespie expressed concern that a fare increase to $1.75 is a de facto increase to $2.00 because most people would not have the correct change and consequently pay with two $1.00 bills.

Mr. Hinds asked if raising the one-way fare to $1.75 and keeping the day pass at $3.00 would result in more day pass riders and subsequently increase revenue. Mr. Vobora said that when the system changed from transfers to the day-pass structure, the passes were priced at two times the cash fare because people paying only a one-way fare were less than 2 percent of ridership. He said he felt that revenue would be lost if the day-pass price is not raised to match the one-way fare increase.

Mr. Collins asked what the total revenue impact of a 25-cent increase would be. Mr. Vobora estimated that the fare increase would result in approximately $200,000 in additional revenue.

Mr. Davidson said that if a payroll tax increase is implemented, it is important to show that riders also are being asked to pay more. He supported a 25-cent fare increase.

Mr. Hinds said that increasing the fare now is appropriate to avoid having the issue become part of the debate about implementing the WEEE project.

Mr. Evans agreed with Mr. Davidson that it is important to demonstrate balance to the business community by increasing cash fares along with the payroll tax rate.

Personnel Services Costs: Discussion of this item was deferred until after labor agreements are finalized.

Pension Costs: Ms. Hellekson stated that new valuations are being done for both pension plans: salaried employees and ATU employees. She said that both plans had unfunded liabilities and would require sizable additional contributions.

Ms. Adams said that the current plan for salaried employees is closed and new members are not being added. Options for dealing with the structure had been presented to the Human Resources and Finance Committees, and the committees were proposing a 20-year amortization period with a one-time reset on the market value of the plan.

Ms. Hellekson said that there were different reasons for the unfunded liabilities of each plan. Both plans had an assumed return rate of 7.5 percent, which had not been realistic during the past several years. She said that closing the salaried employees plan meant that the District would need to commit to a finite payment annually on the unfunded liability. The ATU plan is funded based on number of hours, not percentage of pay; and the service reduction had condensed those hours from more than 500,000 hours worked to less than 470,000 hours. The same amount of money is required to fund the plan, but it is spread over a fewer number of hours; and consequently, the contribution would increase from $4.28/hour to $4.89/hour on July 1, 2012.

Mr. Kortge wanted the Finance Committee to consider reducing the return rate from 7.5 percent to perhaps 6.75 percent. Ms. Hellekson said a sensitivity analysis of different return rates could be provided to the Committee in March.

Ms. Hellekson said that additional contributions to the plans had helped to mitigate the liabilities. Annual contributions to pension plans have been more than $1 million.

Mr. Davidson said that the unfunded liability was affected by several factors, including the rate of investment return. He said that the discount rate going forward, based on the projected benefit structure, is another factor. He encouraged a sensitivity analysis on both the investments and discount rates and cautioned against reacting through fear instead of compiling and considering all of the facts. He said that an opportunity to consider would be to debt finance the liabilities in the current low interest environment.

Mr. Kortge said that the actuary also had suggested reviewing the actuarial tables because of changes in longevity of workers.

Mr. Wong said that he felt strongly that the unfunded liability was a serious issue. He suggested that the Board explore pension obligation bonds and budget strategies that would commit any surplus funds to buying down the unfunded liabilities. Ms. Hellekson agreed that a discussion of how to prioritize the use of surpluses needs to be a part of the budget conversation.

Mr. Evans asked if this was the appropriate time to move forward with Mr. Wong's suggestion about bonds. Ms. Hellekson said that the District would first have to go through the bond rating process, which is expensive. She said that the issue would be presented to the Finance Committee. She added that LTD's debt capacity needed to be considered, especially if the purchase of vehicles is debt financed in the future.

Fuel: Ms. Hellekson said that the fuel assumption next year would be $3.75/gallon. Mr. Lipkin added that the LRFP did not assume a reduction in fuel consumption, but with 24 new hybrid buses there would likely be a small cushion.

Director of Maintenance George Trauger explained that the new electric/diesel hybrid buses currently in operation were demonstrating a 28-30 percent increase in fuel mileage.

Mr. Davidson asked if the fuel storage tanks could be filled when the price of fuel is low. Ms. Hellekson said that the District continued to put fuel in the tanks. Mr. Lipkin noted that there is a cost associated with fuel storage.

Ride*Source* Cost: Mr. Vobora said that service demands were increasing as the population aged and that, along with fuel costs, contributed to the increased cost of the service. He expected service costs to increase and continue at a rate of about 10 percent during the years ahead. He said that some State funding had been lost, and staff are searching for grants to fund paratransit services. He said that he is pleased that the Ride*Source* Call Center is helping to keep the cost growth rate from being higher. He said that Accessible Services Program Manager Terry Parker is retiring in June and Accessible Services and Customer Services would be consolidated to eliminate overlaps in programming and customer assistance.

Mr. Eyster asked if proposed legislation to create a statewide Medicaid brokerage is likely to pass. Ms. Adams replied that it did not appear the proposal would succeed.

Mr. Necker confirmed that there is little legislative support for a statewide brokerage.

Summary and Review: Ms. Hellekson said that slow recovery of the economy affected the assumptions in the LRFP regarding the payroll tax rate and base growth. Assumptions for base growth were 3 percent in Year 1, with 4 percent and 5 percent growth in the following years. She reviewed the revenue assumptions for passenger fare operating, advertising, and special services revenues.

Mr. Lipkin reviewed the assumptions for preventive maintenance, Point2point Solutions funding, and other operating grants. He noted that reserves were less than $3 million by Year 3, so interest would not be a significant source of revenue.

Mr. Evans asked if advertising options such as naming rights had been discussed. Mr. Vobora said there is little interest locally in that type of advertising partnership as most organizations did not have large enough advertising budgets, but staff would continue to seek out those opportunities.

Ms. Hellekson said that the Board's current policy required $3 million in reserves at all times, based on the assumption that payroll taxes represented a stable form of revenue. She said that the sizable reserve that the District now had would be spent down over the long-term as the impacts of global economic problems and loss of grant funds were felt. The LRFP demonstrated that intent; and beginning in Year 3, there is no cushion in the reserve funds. She said that LTD had lost several experienced and highly skilled staff recently to organizations that offered a higher rate of pay.

Mr. Kortge asked if it is realistic to project a personnel services growth rate at 5 percent or less annually during the plan period. Mr. Lipkin said that the larger 5 percent increase between the current year and Year 1 is due to open positions during the current year that are expected to be filled in Year 1.

Mr. Eyster said that it appeared that LTD's salaries were beginning to fall behind, particularly in technical positions, making it difficult to retain staff. He asked if an informal comparison with compensation in other organizations could be done. Mr. Lipkin said that the challenge with a salary study is that the District would need to be committed to implementing it, which would increase the budget. From an employee morale perspective, if a study is done and not acted upon, it could have negative consequences.

Mr. Evans suggested a classification study instead of a compensation study. Ms. Hellekson said that Information Technology (IT) positions had to be reclassified upward before they could be filled.

Mr. Vobora commented that LTD recruitments still attracted many qualified applicants because of their desire to work for the District.

In response to a question from Mr. Kortge, Mr. Parrott said that the IT staff that left LTD went for several reasons: higher pay, the ability to work with employees in their age group, and larger equipment budgets. He said that pay is the first reason, and career growth is the second; pension plans were not a consideration. He said that when the job market is active, retention of IT staff averages 18 to 24 months.

Ms. Hellekson said that the input from Board and Budget Committee members would be used to develop a proposed budget. Another meeting would not be scheduled unless something dramatically affected the assumptions.

Mr. Eyster asked if Budget Committee members had any concerns with the assumptions.

Mr. Collins said that he perceived flat business growth at the present time; although there is some optimism, and new businesses are being established. He said that he felt that the assumptions were sufficiently conservative.

ADJOURNMENT: Mr. Eyster adjourned the meeting at 3:11 p.m.

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

Date Approved: March 21, 2012

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