

MINUTES OF DIRECTORS MEETING
LANE TRANSIT DISTRICT
STRATEGIC PLANNING WORK SESSION

Friday, March 14, 2014

Pursuant to notice given to *The Register-Guard* for publication on March 9, 2014, 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, March 14, 2014, beginning at 9:00 a.m., at the Springfield Justice Center, 230 4th Street, Springfield, Oregon.

Present: Board of Directors:
Doris Towery, President
Gary Gillespie, Vice President
Michael Dubick, Secretary
Ed Necker, Treasurer
Julie Grossman
Gary Wildish
Carl Yeh

Board Budget Committee:
Jon Hinds
Dwight Collins
Donald Nordin
Edward Gerdes
Dean Kortge

Ron Kilcoyne, General Manager
Jeanne Schapper, Clerk of the Board
Lynn Taylor, Minutes Recorder

CALL TO ORDER/ROLL CALL: Ms. Towery convened the meeting of the Lane Transit District (LTD) Board to order and called the roll at 9:01 a.m. All Board and Budget Committee members were present with the exceptions of Dean Kortge who arrived at 10:20 a.m. and Dwight Collins who arrived at 12:30 p.m.

WELCOME BY BOARD PRESIDENT: Ms. Towery welcomed Board members, Budget Committee members, and staff to the District's annual strategic planning work session. She said that the meeting provided an opportunity to discuss in greater depth the budget and other matters of importance to long-range planning efforts. Ms. Towery encouraged everyone to ask questions and share opinions to enrich the process. She thanked consultants Jennifer Bell and David Funk who would be providing assistance. She reviewed the retreat agenda and thanked everyone for taking the time to participate.

WHY WE DO WHAT WE DO: RECASTING LTD'S VISION, MISSION, AND VALUES: Director of Customer Services and Planning Andy Vobora introduced Jennifer Bell of Bell+Funk to lead the discussion.

Ms. Bell said that often an organization's mission and vision statements were indistinguishable and inaccessible to frontline staff and the public. She said that LTD was a mission-driven organization, and input had been collected from employees in order to better articulate the District's mission and encourage community support. The results were a draft of *Why We Are Here* statements and supporting *How* statements, or guiding principles.

Ms. Bell summarized feedback into the following themes:

- Freedom/independence
- Equality
- Accessibility
- Community/connections
- Service
- Environment
- Economy

Ms. Bell said that based on those themes, a *Why We Are Here* statement was drafted: "We are here to provide people the independence to achieve their goals, creating a healthier, more vibrant and equitable community." She invited discussion and feedback.

Mr. Necker asked why the word "transportation" was not included. Ms. Bell said that transportation was how LTD provided freedom and independence to people; the statement tried to capture the benefits of what LTD did.

Mr. Gerdes suggested that the word "ability" would be more appropriate than "freedom."

Mr. Nordin noted that transit included a consciousness about being responsible for the environment, and a reference to sustainability was not included in the statement. Ms. Bell said that the *How* and *What* statements addressed that issue.

Ms. Bell explained how feedback had shaped the draft's *How* statements, which should be actionable and applicable to how the organization made decisions. She invited feedback on the following statement:

- We plan for the future we want.
- We collaborate with others who share our vision.
- We remain committed to serving others.
- We continuously question if there is a better way.

Planning and Development Manager Tom Schwetz asked if these statements addressed sustainability. Ms. Bell said that they did, but agreed that the references could be more overt.

Mr. Yeh said that the statements addressed those things he regarded as important about LTD's mission. The one thing he felt was missing was a reference to LTD's high visibility, which made it very much a part of the community. He said that a visitor may identify LTD as a part of the community's vibrancy in a city that cared about transportation and connecting people.

Mr. Hinds liked the terms "vibrant" and "equitable," which embodied the community's character.

Mr. Wildish said that sustainability was an important issue for him and that it was embraced at LTD through both its environmental and financial stewardship.

Mr. Gillespie said that his response to the question, "Why Are We Here?" was, "To Get You There." LTD also created living wage jobs in the community and hoped to see that referenced somewhere in the statements. He said that the real test was when the vision met the budget. It was important to periodically revisit and reevaluate the vision to see if it was being implemented as intended. Ms. Bell agreed that the statements should help inform and guide an organization's operations.

Ms. Grossman observed that the statement regarding collaboration with others who shared LTD's vision could be misconstrued as being exclusive.

Ms. Towery suggested modifying the statement by removing the words "with others who share our vision." She said that some in the community criticized LTD for being "tone-deaf" and the statement should stress collaborating with all community members in order to reach a positive conclusion.

Finance Manager Todd Lipkin said that a robust community had a vision shared by all and agreed that the statement should not be worded in a way that it could be misinterpreted.

Mr. Gerdes agreed with Mr. Lipkin. He said the statement about planning for the future "we" want also could be misinterpreted and should be broadened to embrace what the community and collaborative partners wanted.

Mr. Necker said that the phrase, "others who share our vision" could be seen as placing limits on with whom LTD would collaborate.

Mr. Dubick suggested putting the statement referring to serving others at the beginning of the list.

Mr. Lipkin suggested substituting the word "are" for "remain" in that statement.

Mr. Vobora said that the *How* statements would replace much of the core values language, and those values needed to be embedded in the document. Likewise the *What* statements would be those things delivered in the work plan section. He said that the new document would have a much different appearance, and he wanted everyone to understand those changes.

Mr. Kilcoyne added that a video shown to all employees during fall training would help them understand the new approach to expressing LTD's mission and vision.

CONNECTING THE DOTS, PART 1: Mr. Kilcoyne began with a quote by Alvin Toffler, "You must think about big things while you are doing small things so that all the small things go in the right direction." He distributed a diagram illustrating how to connect the dots from LTD's various initiatives to its larger goals. He explained that the diagram represented a layered approach to visioning. His presentation would focus on three major initiatives:

- 1) TransitStat
- 2) Desired level of Transit Service
- 3) Sustainability

TransitStat - a Model for Performance Management: Mr. Kilcoyne said LTD, as an organization, is well-run, but there always are ways to improve by becoming more efficient and working smarter to reduce stress and maximize resources. TransitStat is a system used by the Cleveland, Ohio, transit district. He said that it was initially used by municipal government and had been adapted to transit. It is a data-driven process that has produced a number of impressive

outcomes for the Cleveland district, including more than \$50 million in savings and improved customer service, employee morale, and performance.

Mr. Kilcoyne said that staff had visited Cleveland and reviewed how the process works. He felt that LTD could implement the system with Cleveland's advice and assistance and without the need to hire a consultant. He said that staff had been reviewing TransitStat over the past several months, and he explained how the process would determine quantifiable strategies for achieving organizational goals. Mr. Kilcoyne introduced Director of Transit Operations Mark Johnson to describe LTD's first TransitStat project.

Mr. Johnson said that operations comprised about 80 percent of LTD's budget; and the first project focused in that area—specifically the issue of stand time. Stand time is insurance against missed trips by having operators come in and be available to cover the work in case someone was late or ill. Over the past few years, stand time had trended upwards from 900 hours in 2009 to 1,200 hours currently. He said the project had identified a goal of reducing stand time by 200 hours per month within nine months. Next steps would target other areas within operations where efficiencies and savings could be achieved.

Mr. Lipkin added that the project was about continuous improvement District wide. While this project focuses on reducing operating costs, if the internal analysis indicates that customer service would be negatively affected, then the review process might determine that the current stand time level was appropriate and why that was so.

Mr. Johnson said that the TransitStat process requires access to a large amount of data, and understanding the impacts of actions on overall service was a part of continuous improvement. Mr. Kilcoyne pointed out that the District was actually providing more service in 2009 when stand time hours were lower. He described how Cleveland's first TransitStat project reviewed overtime.

Mr. Wildish said he was pleased that frontline staff were being involved in the process as they were a source of valuable suggestions regarding day-to-day operations, and being asked for their input gave them a greater sense of ownership in the organization.

Mr. Johnson agreed and explained how employees had been asked to make suggestions for improving operations. He described the structure that supports moving a project forward from a suggestion to implementation.

In response to questions from Mr. Gillespie, Mr. Johnson said that he anticipates that as the process proceeds, every part of the organization, including operators, would be involved. He said that there was no direct relationship between stand time and the number of deadhead runs, which was why it was critical to identify what factors are involved.

Ms. Grossman asked what happened if an idea was implemented using the TransitStat process but ultimately failed to produce the desired results. Mr. Kilcoyne said that there are opportunities during implementation for course corrections, and no blame is assigned if corrections are needed. Mr. Johnson said that the process did encourage risk taking and working outside people's comfort zones.

RECESS: Ms. Towery called a brief recess at 10:12 a.m.

RECONVENE: Ms. Towery reconvened the meeting at 10:25 a.m.

CONNECTING THE DOTS, PART 2:

Desired Level of Transit Service (DLOTS) - A Discussion with the Community: Mr. Kilcoyne reviewed a map of service routes and times. He pointed out that the amount of service provided was governed by the amount of revenue the District received, not necessarily by what the community needed or what could be potentially provided to optimize ridership. He pointed out areas of residential and employment density and said that some areas were not served at an appropriate level. He said that frequency attracted ridership, and there were many areas in the community that lacked adequate coverage or warranted more frequent service than was being provided. Connectivity on the system now required passing through the downtown hubs.

Mr. Kilcoyne said that it was ultimately up to the community to determine what level of service LTD provided because it was the community that would pay for that level of service. A broad community conversation on that topic needed to be conducted, and staff were developing tools to facilitate an informed discussion by identifying the benefits of service increases along with accompanying tradeoffs.

Mr. Kilcoyne said that one of the goals was to develop consensus around a funding model that allowed LTD to provide the optimal level of benefit to the community as defined by the community. Another goal was to improve mobility/accessibility so that car-owning households could gain \$9,000 annually tax-free by owning one fewer car, and non-car-owning households had equal access opportunities with car-owning households. The third goal was to enable the communities LTD serves to be true 8-80 communities through partnerships where walking, bicycling, and transit were best friends. He explained that a community that worked for an eight-year-old and an 80-year-old (8-80) was a community that worked for all. He invited comments on how to engage the community and the timing and coordination of community discussions with other District efforts.

Mr. Nordin observed that suburban, semirural communities such as Cottage Grove were not on the map of service routes and times, and they represented 10-15 percent of the Lane County population. Mr. Kilcoyne said that LTD planners did take those communities into consideration; they were not shown simply to make the map more readable.

Ms. Towery commented that while exurb communities were only 5 percent of ridership, to the people who rode the bus in those communities, transit was critical to their ability to connect. She said that many of those communities also had high levels of poverty, and residents needed transit to connect to employment. She wanted to see another map that included those outlying areas, which also represented the direction of future economic development and job growth and were an important consideration in service level decisions.

Mr. Gillespie agreed with Ms. Towery. He said that service levels constrained people's travel. He also pointed out that those outlying communities also paid payroll taxes to support the District.

Mr. Vobora stated that in the past, the exurb communities had contributed a commensurate level of payroll tax receipts, but plant closures and economic setbacks in recent years had shifted support of that service to the urban areas. He said that LTD wanted to be responsive to emerging demands as the outlying areas began to recover economically, but also needed to take other factors into consideration.

Mr. Nordin said that the discussion should look beyond what value an exurb community received from LTD services and the cost of those services. It also should consider that if transit was not available, residents of outlying communities would drive into the urban areas; and cities would

have to pay for traffic control, road maintenance, parking, and other transportation costs that were not being paid for by exurb communities. It was important to look at the entire picture and not just the costs associated with bus service.

Mr. Gillespie suggested that holding meetings at 5:30 p.m. would not promote community engagement as people were busy at that time. The timing and coordination was critical because if LTD collected data and input at a point that was between service changes, it would not have the same impact or show responsiveness as would collecting it in a timely manner before the next service change. He said that being asked about a desired level of service raised certain expectations, such as the respondents being heard and some of the ideas being implemented.

Mr. Kilcoyne agreed and said that a critical part of the community discussion needed to be about how to pay for desired services. He said that payroll tax revenue paid to maintain the current level of operations; a discussion of what services were wanted would need to include options for funding other than the payroll tax and if the community was willing to do that.

Mr. Gerdes asked if staff had been given clear direction from the Board about meeting customer needs. He said that LTD could be a regional development driver by virtue of where it placed lines, the location of its boundaries, and the service provided to the customer (convenience/reliability). He was uncertain what role LTD played in overall community planning. For example, LTD could dramatically decrease its boundaries and apply those service cost savings to increase frequency, and, thus, convenience within more densely populated areas. That could potentially drive people to locate within certain areas of the community to access bus service.

Mr. Vobora said that the Board historically had looked at the ratio of productivity versus coverage and concluded that allocations should give the greatest percentage to productivity to achieve the greatest impact and a lesser percentage to coverage. A decision was made in the 1970s to provide rural lifeline service, and approximately 5 percent is allocated to rural service. Those considerations lent themselves to more corridor service and less neighborhood coverage.

Ms. Towery added that the Board had that discussion during the last round of service reductions and decided to preserve some lifeline services that would have been cut on the basis of productivity. That conversation is being taken up again with consideration of the annual route review and service recommendations.

Mr. Vobora cited a number of examples of how LTD was expected to react when circumstances changed, such as the movement of businesses from along transit corridors out to the Coburg area and the location of a new veterans' clinic away from existing transit service. He said that trying to be responsive to those needs meant reallocation of resources from other areas and other tradeoffs.

Mr. Gerdes asked why LTD was not more proactive with governmental entities by stating its plans and letting those entities and the business community know that if they made other choices about locating, they could not expect LTD to react immediately with service adjustments.

Ms. Towery pointed out that LTD had those conversations about the veterans' clinic. Federal regulations required that the facility be built on a transit line, but a different decision was made anyway. Mr. Kilcoyne added that LTD did a good job of coordinating with local governments, but there were still gaps in communication.

Mr. Schwetz said that recognition of the role of transit in municipal planning has increased recently. An example was the City of Eugene's recent long-range planning initiative that

envisioned managing the growth of the City on the backs of transit corridors by concentrating that growth. He saw a growing expectation from both Springfield and Eugene that transit would play a key role in managing growth and enhancing quality of life in the community. He asked the group to consider to what extent the payroll tax would enable LTD to meet these new expectations and challenges over the next 20 years.

Ms. Towery agreed that there was a growing recognition of transit's role in economic development and managing responsible growth and its benefits to the community.

Mr. Hinds said that as a Budget Committee member, when confronted with the need to cut service, he looks at the word "sustainability" and considers what level of service the District could sustain. He looks at how LTD could best support a vibrant economy by expanding service that would keep dollars in the community and provide revenue from the payroll tax.

Mr. Kilcoyne said that the proposed service increases were extremely modest and the payroll tax would not support large service increases. It was necessary to look for a broader funding base, not just to expand service, but to protect existing service and guard against major changes in payroll tax revenue.

Ms. Grossman asked if it was possible to encourage growth along transit corridors by requiring businesses and agencies that chose to locate away from transit to pay an additional amount for transit service, along with the payroll tax. Mr. Vobora said that there were examples of districts doing that, although federal charter rules placed limitations on how it could be done. Staff were exploring that option with some services, such as to the airport or Junction City. He said that Lane Community College and the University of Oregon both paid for additional trips on lines serving their campuses.

Mr. Schwetz said that the Long-Range Transit Plan, which was to be presented to the Board at the March 19 regular meeting, contained an initiative related to being proactive. It was called the Frequent Transit Network, which would create a set of corridors consistent with how cities wished to manage their growth, and let the public know that LTD would commit to higher frequency if development was located along those corridors. The intent was to align the District's service investments with the goals and policies of other agencies.

Mr. Necker said that a community advisory group to City of Eugene planners had reached the conclusion that providing transit was a two-way street: development could occur along transit corridors, or corridors could reach for the development. He said that the Envision Eugene initiative included a goal of increasing development along corridors.

Mr. Gillespie commented that a recent transit-related article in *The Register-Guard* said that the gas tax no longer was a viable source of additional revenue and mentioned the vehicle miles traveled (VMT) assessment as another revenue option. He hoped that the District's lobbyist could pursue that matter at the legislature. Mr. Kilcoyne remarked that there was a VMT pilot project underway in Oregon, and a proposal had been introduced in Congress to attempt that nationally. He said that there seemed to be some support for that concept as the gas tax was a dwindling source for transportation revenue.

Mr. Kilcoyne invited final comments on how to engage the community and the timing and coordination of community discussions with other District efforts.

Mr. Gillespie said that it was important to talk to residents who did not currently ride the bus and gather as much feedback from throughout the community as possible, given the timeframe.

Mr. Gerdes agreed. He suggested presentations to organizations such as the chambers of commerce and City Club. He urged LTD to find a dynamic speaker, such as a local elected official who strongly supported transit, to persuade listeners.

Ms. Towery agreed that LTD needed champions with the political will and respect in the community to promote transit's value and benefits.

Mr. Schwetz clarified a desire from the group to have a values-based community conversation.

Mr. Wildish stressed the need to educate the community about the benefits that transit provided and the extent of LTD's service.

Ms. Grossman said that surveys provided an opportunity to tell LTD's story by serving two purposes: marketing/public relations and data collection. She agreed that having a champion to promote LTD in the community also was important.

Mr. Hinds encouraged community-based events throughout the area with maps that illustrated the location of current services and the direction of future service. Feedback from those events would help inform the planning process with what level of service people in specific neighborhoods needed.

Ms. Grossman suggested trying to connect those community events with activities that were already scheduled.

Mr. Necker shared a story about his late father-in-law's favorable impression of Eugene's transit service when he had moved to the city at age 90, and his hope that the community appreciated what it had. He suggested finding transit users to share those types of thoughts in 30-second public service spots.

Sustainability - LTD's Vision and Accomplishments: Mr. Kilcoyne said that LTD had done a good job of being sustainable; but in the last two years, the District had become more focused on how it could improve those efforts internally. He said that LTD had adopted the Environmental Management System (EMS), and staff were going through training. He saw the TransitStat process as helping to incorporate sustainability efforts throughout the organization to help it become a better community citizen.

Mr. Vobora reminded the Board that it had adopted an environmental commitment as part of implementing the EMS system, which consisted of a set of processes and procedures to examine specific environmental impacts of activities, products, and services and determine the best way to be a good steward of the environment. He explained how the system was being implemented at LTD with the establishment of a core team and a fence line for the process. He said that most districts drew the fence line around maintenance facilities as being the primary source of environmental hazards, but LTD had decided to draw the fence line around its entire property in order to engage all employees in the process. The core team met weekly to develop procedures, aspects, objectives, and targets. He said that employees were surveyed to identify aspects to be targeted, and a list of the top five included:

- Proper aerosol can disposal
- Five percent reduction in electricity use
- Prevention of fuel spills
- Two percent reduction in diesel fuel consumption

- Five percent reduction in water use

Mr. Vobora said that while the core team was developing processes and procedures, ultimately the entire organization would be involved in achieving the goals. He said the process would develop specific targets for each aspect and include activities to help reach those targets. For example, fuel spill prevention included not only LTD employees, but also the contractors who came onto the site for purposes of delivering fuel or landscaping. Contractors would need to be educated about LTD's expectations for protecting the environment. He described the activities related to fuel spill prevention that staff had created and implemented.

Mr. Vobora said that at some point LTD would need to decide whether or not to formally pursue ISO (International Organization for Standardization) certification. The District already was at the bronze level under the American Public Transportation Association Sustainability Program and moving toward the silver level. The District also would need to decide how to incorporate its internal Green Team into the larger sustainability initiative now being implemented.

Mr. Gillespie commended the sustainability efforts. He asked if LTD was working with other local entities that handled fuel, such as FedEx and Sanipac. Mr. Vobora said that was the intent as the plan developed.

RECASTING THE LTD ROAD MAP: Mr. Vobora said that the goal was to bring several documents, such as the Long-Range Transit Plan, Capital Improvements Program, Regional Transportation Options Plan, and others, together into an understandable and accessible format and inform employees and others of opportunities for providing input during updates of those plans.

RECESS: Ms. Towery called a recess at 12 Noon.

RECONVENE: Ms. Towery reconvened the meeting at 12:30 p.m.

LONG-RANGE FINANCIAL PLAN, PART 1: Mr. Lipkin distributed copies of the *Lane Transit District Draft FY 2015-24 Long-Range Financial Plan*.

Plan Assumptions: Mr. Lipkin began with the general revenue and cost assumptions that were ingrained in the Plan. Regarding the payroll tax, he said that when the recession occurred, tax revenues decreased; and during recovery, there was a slow increase. The assumption during that time was a steady increase up to 5 percent. Those assumptions were met, and the current draft Plan assumed a continuation of the annual 5 percent increase in the base.

Mr. Lipkin said that fare increases of approximately 5 percent, as recently proposed to the Board in the FY 2014-15 Pricing Plan, also were assumed in the Plan, with an annual growth of 5 percent through future increases in fares and ridership. The Plan also assumed that a fixed annual amount of \$4.1 million in federal formula capital funds would be allocated to preventative maintenance, with the remainder used for discretionary capital improvements.

Mr. Lipkin said that the District had been reorganized into three departments based on how they served the community: 1) Customer Services and Planning; 2) Transportation Operations; and 3) Administrative Services. He stressed that the reorganization did not increase full-time equivalents (FTEs) and the budget would be structured within these categories. He said that negotiations on the Amalgamated Transit Union (ATU) contract had just opened; and based on prior contracts,

the Plan assumed a 2 percent annual increase in wages in the future. This could be adjusted as the negotiation process moved forward. He said that changes to the salaried employees' pension plan were included in the assumptions, and initially included a \$115,000 additional contribution to fund the unfunded liability and a 1 percent increase to fund the current benefit. He said the funded ratio of the ATU pension plan was moving from 55 percent to between 60 and 65 percent, with a recommended contribution of \$4.60-4.70 per hour. The District currently contributed \$4.89, and the Plan assumed that same level in the future to continue to improve the funded ratio. He said that medical insurance was assumed to increase 10 percent annually.

Mr. Lipkin indicated that fuel was budgeted currently at \$3.75 per gallon, while year-to-date costs were \$3.14 per gallon. He said that \$3.75 would be assumed in the Plan, with a 5 percent annual increase after 2015. The fuel assumption did not include a reduction in fuel consumption as higher efficiency vehicles replaced older ones in the fleet. Materials and services would be assumed to increase 2 percent annually, and the Accessible Services transfer assumption was a 10 percent increase, although that could be reduced if additional funding became available.

Mr. Lipkin said that the draft Capital Improvements Program (CIP) had recently been made available for public comment, and the assumption was that the capital transfer in the Plan was what was called for in the CIP.

Mr. Kortge asked how close the \$115,000 additional contribution would bring the pension fund to a 70-72 percent funded ratio. Mr. Lipkin replied that the ratio would increase 5 to 10 percent and was heading in the right direction. He said that many changes over the next few years to calculating, reporting, and funding pension plans would address that issue.

Mr. Gerdes asked if the ATU pension plan would be a hybrid plan. Director of Human Resources and Risk Management Mary Adams explained that a joint pension work group had developed a new model, which would have to be agreed upon during bargaining. She said that a defined contribution model had been on the table during the last two labor negotiations, and the proposed model was an improvement over the current model.

In response to a question from Mr. Gerdes, Mr. Lipkin said that the District would expect to see a reduction in contributions to the ATU pension plan in 14 years when it no longer had an unfunded liability. The salaried employees plan could be on a similar cycle if the pension trust considered changing strategies for investments.

Mr. Kortge said that he was pleased with the progress made to address the unfunded liability of the pension plans.

Payroll Tax Panel Discussion: Director of Finance and Information Technology Diane Hellekson stated that all transit districts were subsidized in some way, but there were only two, LTD and TriMet, for which the primary source of subsidy was the payroll tax. During the 2003 legislative session, the payroll tax rate cap was raised to 0.007, phased in over a ten-year period and subject to a finding of local economic recovery. She said that LTD did not take advantage of the opportunity to increase the tax rate until January 1, 2006. The cap was again raised during the 2009 legislative session to .008, again with a finding of economic recovery as determined by the District's Board of Directors. She said that a study of local economic recovery was currently in progress, and a draft would be completed by the end of March. A final version would be delivered to the Board by the end of April to become part of the discussion about whether or not to raise the payroll tax rate.

Government Relations Manager Edward McGlone stressed that the economic recovery study did not mean that the District would raise the payroll tax rate, but that step could not be taken without the study. He said that the legislature allowed the Board to only consider two factors in determining economic recovery: regional employment and income growth, specifically within the District's boundaries. ECONorthwest had been hired to conduct that study; but beyond the study, staff were conducting a community outreach campaign to engage people in the discussion. He described various activities and events that were planned, and he encouraged Board members to participate. He said that the campaign also would include recognition of businesses for their support of transit. He said that the Board had considerable discretion in making a decision on the tax rate. He said that materials also would be developed to help engage businesses in the conversation and demonstrate that an increase was reasonable, and staff would be educated on how to facilitate discussions in different venues.

Mr. Kortge commented that discussion of a payroll tax increase suggested that the decision had already been made. He recommended that outreach wait until the study was completed and received by the Board. He said that the message should stress how the District contributed to the good of the whole community and develop a common agreement among payroll tax payers on the need for a payroll tax. He added that the message should be that everyone contributes for the good of the whole in pursuit of transit as a basic community value.

Mr. Gillespie commented that all tax increase proposals included an estimate of the impact on the average person. He did not object to putting forth that information to businesses if the tax were proposed to increase.

Mr. Yeh pointed out that people in the community already were discussing the tax increase, and he was concerned that LTD would be left out of the conversation if the campaign were delayed.

Mr. Gerdes concurred with Mr. Kortge and preferred to see discussion postponed until the report was completed. He said that if the report should determine there had not been sufficient economic recovery, business owners would feel that their time had been wasted. He recommended that the report contain a statement from ECONorthwest about how long they felt the report contents would remain viable. Ms. Hellekson said that the life of that type of report was less than a year.

Mr. Gerdes offered that some businesses might be aware of the short life of the report and perceive that a decision had already been made.

Mr. Collins said that it was important to realize that many businesses still resist paying the current payroll tax. He liked the idea of demonstrating the value of transit to the community and thanking and recognizing businesses' support. He referred to the Eugene City Council that was currently considering a sick pay issue, which could have a significant financial impact on businesses. Mr. Collins suggested that LTD track that discussion and monitor the business community's reaction.

Ms. Towery said that she had pushed to begin the community conversation because even if there was a finding of no economic recovery, it was still necessary to have the values-based discussion of what the community wanted or expected from transit. She hoped that conversation would identify what the community valued and identify ways for the District to achieve sustainable funding for services in the future.

Mr. Gillespie agreed with Ms. Towery. He said that if there was no discussion, all that would be heard in the void was the opposition. He pointed to the West Eugene EmX Extension project as an example of organized opposition before the District had begun extensive community outreach.

Ms. Grossman supported the idea of a community discussion, rather than presentation, to find out what the community valued and what services it wanted.

Mr. Necker agreed that the campaign needed to stress that no decision had been made. LTD needed to be cognizant of the fact that most people feel their input does not matter and are being informed after decisions were already made. He did not feel it was necessary to wait until after the Board had made a decision. Input collected from the community should inform the Board's decision.

Mr. Wildish said that the community needed to understand the value of LTD, and that it provided services for the entire community. He said that the District had a marvelous story to tell and the data to demonstrate its outstanding performance. He added that the community would raise other issues during conversations.

Mr. Kortge relayed a story about a fund-raising campaign in Harney County. Instead of asking for money, the Cancer Society distributed literature to tell its story. Subsequently, the organization raised more money than ever before. He said that if the focus and message to businesses are on the story about what LTD does for people and its value to the community, results will follow.

Ms. Towery added that the story should demonstrate how transit is an equity and human rights issue, and LTD is a critical underpinning to the success and prosperity of the community. She said that the discussion should be about how that can be achieved and about encouraging people to want to participate in supporting that community value.

Mr. McGlone summarized the Board's direction: not to focus on the payroll tax, but rather to have a conversation about LTD, what it did, and the value it provides; and when the study was completed, begin discussions of the payroll tax.

Mr. Hinds used the example of the City of Portland's transit system and its influence on economic development. It was imperative in an outreach campaign to ask businesses how LTD could help them grow and serve the interests of economic development and how that could be funded in a way that benefits everyone.

Mr. Nordin suggested having transit users thank the business community for its support. This campaign could help raise riders' consciousness that they are receiving a subsidy. This allows the opportunity for them to express appreciation.

Mr. Gillespie said that LTD should tell its story and let listeners control the questions.

Mr. Collins added that people, especially the business community, need to understand that the payroll tax is LTD's primary source of financial support.

Mr. Dubick concurred with the importance of telling LTD's story and said that many of the planning documents could help inform those conversations. He liked the idea of expressing appreciation for the business community. A conversation about who LTD is would generate a conversation about what the community valued about the District. He felt the report should be put on the back burner until the Board had a better grasp of how LTD was valued in the community. A request for increased revenue should come after community support had been generated.

Ms. Towery summarized that based on the group's discussion, the community conversation should proceed but without the payroll tax as a topic; although LTD should be prepared to answer

questions about potential impacts of a tax increase. This would demonstrate that LTD was paying attention to community input and developing ways to react in the future.

Mr. Nordin stated that it was clear that the payroll tax was insufficient to support transit services and a new model was needed to sustain and expand service. He said that the community could be asked what it would support as a tax to support transit.

Mr. Kilcoyne said that beginning the larger community conversation could provide an opportunity, if the report was favorable, to increase the payroll tax but might not be sufficient to fund what the community wanted from the District. He saw the conversation as the beginning of a continuum, the first step of which might be a tax increase, but then broadening the conversation beyond the business community to address other funding options.

Mr. Lipkin said that some of the DLOTS questions could be asked during the conversation to begin that process and avoid focusing on the payroll tax.

At this time, Ms. Towery announced that Ms. Hellekson was retiring at the end of the month. Ms. Towery expressed the Board and Budget Committee's appreciation for Ms. Hellekson's contributions to the District and thanked her for her service.

RECESS: Ms. Towery called a brief recess at 1:55 p.m.

RECONVENE: Ms. Towery reconvened the meeting at 2:05 p.m.

Plan Scenarios: Mr. Lipkin said that the Long-Range Financial Plan (LRFP) handout included three scenarios related to the payroll tax: 1) no payroll tax rate increase; 2) payroll tax increase on January 1, 2016; and 3) payroll tax increase on January 1, 2017. The base plan included the first scenario because that was the assumption in last year's LRFP. He reviewed each of the three scenarios and showed the results plotted on a graph. He emphasized that adjustments would be made based on the Board's actions and asked for guidance on what should be incorporated in the LRFP to be presented in April for Board adoption. He said that regardless of what scenario was included, the first three to four years of the plan were good; but beyond that, the District would need to find additional sources of funding.

Mr. Collins asked what assumptions were made for growth of payroll tax annually. Mr. Lipkin said that the Plan assumed a growth rate of 5 percent annually in the base.

Board Guidance: Mr. Kortge stated his preference for the third scenario. He expressed that it was foolish to assume there would be no payroll tax rate increase; this would provide staff with some guidelines for long-range financial planning.

Mr. Gillespie said that choosing a scenario was asking the Board to inadvertently make a decision on the payroll tax. He asked why there was no scenario to increase the tax in 2018-19. Mr. Lipkin responded that the Board was being asked to make a choice for long-range planning purposes; and delaying the decision until 2018-19 would be insufficient for the Plan, as the compounding effect over the years would leave the Plan in a negative condition.

Mr. Gillespie clarified that he identified the 2018-19 period because that was the point at which the budget was still in the black.

Mr. Lipkin said that the earliest point at which the Board might make a decision regarding the payroll tax was during the summer, but the current direction was unlikely to result in an increase before 2016. Ms. Towery agreed that the Board had a significant amount of due diligence to accomplish, and Mr. Lipkin's estimate of a timeframe was accurate.

Mr. Gillespie said he was not ready to make a decision about which scenario should be included in the LRFP. Ms. Towery explained that a scenario was being recommended for purposes of developing a long-range plan, but with the caveat that everything could change and adjustments made.

Mr. Dubick stated that he preferred the third scenario for the reasons Mr. Kortge had previously given. It would place a marker in the Plan that could be adjusted later.

Mr. Necker said that in keeping with LTD's conservative approach and the timeline for a payroll tax decision, the first scenario should be used.

Mr. Lipkin cautioned that assuming no payroll tax increase could endanger federal funds by being unable to demonstrate that LTD could sustain the system it was creating. Mr. Vobora added that the District was required to adopt a 10-year balanced financial plan.

Mr. Kortge observed that no tax increase could place the Finance Department in a bind because of the probability of planning for debt financing of major purchases. Ms. Hellekson confirmed that the balance sheet and projections were key to LTD's credit rating for purposes of seeking debt service.

Ms. Towery polled the Board for scenario preferences:

- Ms. Grossman - third scenario
- Mr. Gillespie - second scenario, but could accept the third scenario
- Mr. Necker - second scenario
- Mr. Dubick - third scenario
- Mr. Wildish - third scenario
- Mr. Yeh - third scenario
- Ms. Towery - third scenario

CONCLUSIONS AND NEXT STEPS: Mr. Kilcoyne said that the economic recovery study had a shelf life of nine to twelve months; and, therefore, if its conclusion were positive and the Board wanted to take action on increasing the payroll tax in 2017, that action would need to occur within the next 12 months. If the decision was postponed beyond that point, the study would need to be updated.

Ms. Towery thanked meeting participants, and Mr. Kilcoyne thanked the Board for its direction.

ADJOURNMENT: Ms. Towery adjourned the meeting at 2:30 p.m.

LANE TRANSIT DISTRICT

ATTEST:

Michael Dubick

Jeanne Schapper

Board Secretary

Clerk of the Board

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