MINUTES OF BUDGET COMMITTEE MEETING

LANE TRANSIT DISTRICT

Wednesday, April 24, 1996

Pursuant to notice given to *The Register-Guard* for publication on April 14, 1996, and distributed to persons on the mailing list of the District, a meeting of the Budget Committee of the Lane Transit District (LTD) was held on Wednesday, April 24, 1996, at 7:00 p.m. in the LTD Board Room at 3500 East 17th Avenue, Eugene.

Present:

Board Members	Appointed Members
Kirk Bailey	Russ Brink
Rob Bennett	Rick Crinklaw, Committee Chair
Pat Hocken	Gerry Gaydos
Dave Kleger	Mary Gilland
Thomas Montgomery	Virginia Lauritsen
Mary Murphy	Cynthia Pappas, Committee Secretary
Roger Saydack	Jeff Pearson

Phyllis Loobey, General Manger
Mark Pangborn, Budget Officer
Jo Sullivan, Recording Secretary

Absent:

CALL TO ORDER: Board President Pat Hocken called the meeting to order. She commented that it was very nice to have all of the Board and Budget Committee positions filled and to have everyone in attendance.

COMMITTEE AND STAFF INTRODUCTIONS; REVIEW OF AGENDA: Assistant General Manager and Budget Officer Mark Pangborn welcomed the Budget Committee members to the meeting. Committee members and staff introduced themselves and told a little about their backgrounds. Mr. Pangborn outlined the agenda for the evening, and briefly explained the different sections of the budget document.

ELECTION OF OFFICERS: It was explained that the Budget Committee annually elected a chair and secretary.

Ms. Pappas nominated Rick Crinklaw for the position of Committee Chair. Mr. Montgomery seconded, and Mr. Crinklaw was elected by a vote of 13:0, with Mr. Crinklaw abstaining.

Mr. Gaydos nominated Cynthia Pappas for the position of Committee Secretary. Mr. Crinklaw seconded, and Ms. Pappas was elected by unanimous vote, 14:0.

PUBLIC COMMENT: There was no one present to wished to speak to the Committee.

MOTION **APPROVAL OF MINUTES**: Mr. Kleger moved that the minutes of the May 3, 1995, Budget Committee meeting be approved. Mr. Montgomery seconded, and the minutes were
VOTE approved unanimously by voice vote.

BUDGET PRESENTATIONS:

Review of Board Vision for 1997: Ms. Hocken stated that two aspects of the Board's vision for Fiscal Year 1996-97 were the internal and external elements, including what made it difficult or easy for the District to accomplish its goals. Her evaluation of LTD was that it was very successful, and made a contribution to the community in terms of reducing congestion and pollution. The District participated in national studies, which seemed to indicate that LTD was doing very well.

Ms. Hocken handed out some materials for the Committee's information. Included was a copy of the testimony she recently had given before the Northwestern Oregon Regional Advisory Committee regarding the Governor's Transportation Initiative. The testimony included a list of initiatives that LTD was implementing to provide service in a more innovative way. She also included a copy of the agreement LTD had reached with Hyundai to encourage alternative transportation modes use by Hyundai's employees, which she described as an exciting and innovative agreement.

Ms. Hocken stated that LTD was 100 percent in compliance with the federal Americans with Disabilities Act (ADA) transportation requirements, and was one of the few transit districts in the country that could say that. LTD also was in the process of building a downtown transit station. She said that the station would be an aesthetically pleasing facility that would enhance the downtown area and make service more convenient for riders, and operations more efficient for the District.

Ms. Hocken said that financing was an important external factor affecting LTD's service, and that it was not as good as it could be. The District was facing potential cuts in federal operating and capital funding, as well as cuts in the state cigarette tax revenues for special transportation services.

Ms. Hocken talked about the update of the metropolitan transportation planning document, the TransPlan. She said that the TransPlan discussions included an understanding that land use was integrally connected to transportation planning, and that subdivision design, street patterns, and street design all were important for transit's success. The community was experiencing growth in traffic and vehicle miles traveled (VMTs), and the downtown Eugene area appeared to be having a revitalization, including LTD's new station. In May, the Cottage Grove and Creswell citizens would vote on a measure to tax themselves in order to have LTD service.

Ms. Hocken stated that the District knew where it was and where it wanted to go in the future. Despite its successes, she said, transit only carried 2 percent of the trips made in the area. The Board had come to realize that LTD was not going to increase that modal split without major changes in the way it provided service. She called the Committee's attention to charts on page 26 in the handout, which showed some assumptions being made about population and employment growth to the year 2015. The Lane Council of Governments (LCOG), as part of the TransPlan Update process, had begun modeling several scenarios for transportation in the future. The base case being modeled was a scenario in which the area did nothing different from the current transportation plan, current LTD service, and current land use measures. The base case modeling showed that in the year 2015, LTD still would be providing about 2 percent of the trips in the metropolitan area.

Ms. Hocken said that the feeling of the Board was that the District needed to make more of an impact on transportation in the metro area. The Board had not set a specific percentage goal for that growth, but had developed a concept called bus rapid transit (BRT), in order to give transit the ability to compete effectively with the automobile. BRT would help make the disadvantages associated with transit less of a disadvantage. Ms. Hocken explained that convenience, time, and perceived safety seemed to be critical factors in whether people decided to ride the bus. The Board recognized that commuting to work or school amounted to less than half of the trips taken on LTD. Commuting trips appeared to be an opportunity area for LTD, and the BRT improvements for commuters would be available for other riders, as well.

Ms. Hocken discussed the key features of BRT. Of major importance was reduced travel time, through the use of dedicated rights of way, signal prioritization, fewer stops, frequent service, faster boarding with low-floor buses, reduced transfers, and faster fare collection methods. There would be several amenities at stops, such as parking, shelters, and proximity to commercial development. In Ms. Hocken's handout was a section showing the initial concept for potential routes and a time line for implementation of the first BRT corridor. The budget for 1996-97 did not include construction or capital costs for BRT, but did include planning and design elements. BRT would be a long-term project implemented over the next twenty years. Ms. Hocken explained that the District expected to have a rubber-tired system that looked a lot like light rail, with the advantages of light rail, but without the costs.

Ms. Hocken said that the Board was committed to some sort of dedicated river crossing for transit. Since that was not scheduled with the Ferry Street Bridge improvements, using the Coburg Road corridor for BRT probably would not occur until later in the development of the BRT system.

Ms. Hocken discussed the supporting strategies that LTD would pursue to support BRT. They included performance standards and measures, both fiscal and operational; a BRT financing plan, since it would cost more than $100 million to put the entire system in place; more Park and Ride lots; and using the talents of all the District's employees and working more collaboratively with the union.

Ms. Hocken stated that the Board's focus in 1996-97 would be to work to sell the public and the business community on the BRT concept and its value to the community. The goal was to move ahead and be more effective as a key player in transportation in the community.

Ms. Loobey commented about the ways in which the vision translated into the budget. It included staff's interpretation of the goals set by the Board, and the activities necessary to accomplish those goals. She stated that LTD always would have fixed-route and dial-a-ride services. The District also would continue to provide special services for fairs and community events, as well as do all it could to maximize revenues and continue the effectiveness and efficiencies of the service. A new advertising program, the Bustacular ads on the buses, was generating more advertising revenue for the District. Ms. Loobey stated that LTD had approximately $30 million in assets, and there was a very high value in maintaining the District's fleet and fixed assets/facilities. The District had begun the process of planning for the implementation of bus rapid transit, and the FY 96-97 budget included costs for materials, marketing, and public education for BRT. She added that the changes in fares for FY 96-97 reflected the value of the service the District provided. The District also was continuing its investments in employees, its chief assets, in terms of productivity and performance.

Ms. Loobey explained that because of changes made during the reorganization, staff were not able to detail prior-year expenditures in all cases. For instance, there was no Public Affairs department in prior years, so it was difficult to separate what was spent on those kinds of activities before and pull those expenditures from other budgets.

Mr. Crinklaw asked about the connection between BRT and the TransPlan Update process. Ms. Hocken replied that the TransPlan Update was in mid-process; stakeholders meetings, surveys, and public testimony had been accomplished. LCOG staff were in the middle of doing computer modeling of different scenarios, and would take three or four scenarios to the Planning Commission in July. Preliminary acceptance of the draft update was scheduled for September 1996.

Mr. Crinklaw asked how the BRT concept had been received outside of LTD, in those forums where it had surfaced. Ms. Loobey replied that the people she had talked with thought it made sense. She explained that two or three years ago, community activists were championing the idea of an urban rail system, thinking that one could be built much less expensively that it actually could be done. The political pressure to plan for urban rail led to an urban rail study, which said that urban rail would cost much more than had been suggested.

Ms. Loobey stated that the urban rail concept was put to rest, and Board member Rob Bennett began to question taking care of only 2 percent of the modal split in the community. In discussing the need to do things differently to compete with the automobile in terms of travel time, the concept of bus rapid transit arose. BRT could develop over 40 or 50 years as a system with exclusive rights of way, and when the metropolitan area achieved the appropriate density, it could be converted to a light rail system. Currently, the funding was not available and the population and population density were not present for light rail. In the meantime, BRT could be developed much more cheaply, and would have the advantage of flexibility that light rail did not have.

Ms. Hocken stated that BRT's relationship to the TransPlan Update process was important. One of the things the Board needed to do was to be sure that BRT was included as one of the underlying, key concepts when the TransPlan was adopted, and that meant convincing the community and elected officials of its value.

Mr. Bailey added that he and Ms. Loobey had gone to Washington, D.C., in February with a local "united front" group of public agency representatives and officials. They presented the concept of BRT to Lane County's congressional delegation and the Federal Transit Administration (FTA), and it met with a positive response. The FTA was not in a position to provide the money at that point, but Senator Hatfield's office asked LTD to return with a clearer idea of the actual costs and the commitment and interest of the community. He added that BRT would be much more economical than light rail.

Mr. Kleger said that he had been co-chairing the transportation systems task force for the TransPlan Update. It had completed the majority of its work before discussions of BRT began, but he had talked with about two-thirds of the task force members, and most had given their approval of the idea. They liked the idea of doing something to have better comparative travel time and the fact that start-up costs would be much lower than a rail system.

Analysis/Long-Range Financial Plan: Ms. Hocken informed the Committee members that Finance Manager Tamara Weaver would be leaving LTD and moving to Spokane.

Ms. Weaver outlined the overall financial environment for LTD, including its history and the budget in the context of the past and future. She explained the service assumptions that were used in developing the Long-Range Financial Plan and the annual budget, including the number of service hours and the costs for that service; the ability to sustain quality service over the long-term, with productivity standards reached within two years of added service; annual additions to the capital reserves; and prudent operating and risk reserves. In 1996-97, LTD would be 71 percent tax-funded, with 19.5 percent of revenues from operating revenue and 9.4 percent from other revenues (e.g., interest income, advertising). Expenditures during 1996-97 were budgeted at 72 percent for wages, 20.5 percent for Materials & Services; 3.8 percent for risk; and 3.7 percent for special transportation.

Ms. Weaver discussed the expense increases across time for service, special transportation contributions, salaries and wages, operating reserves, and capital reserves. She discussed the fund balance and the earned income ratio in relation to total income. Ms. Pappas asked about the 19 percent earned income ratio, and Ms. Weaver explained that it was important in terms of comparing or tracking LTD's ratio over time. She said that it was LTD's weakest statistic, and a little below the national average. However, LTD's other performance statistics were very high, which kept the District in the top 20 percent of bus systems nationally, and the District wanted to at least maintain this statistic.

Ms. Weaver next discussed overall revenues, stating that they were predicted to increase 6.9 percent in FY 96-97. There was no way to know yet what the self-employment tax income would be, so staff made its best guess based on the information available. She stated that the 1996-97 budget was fairly modest, with about a 5 percent increase, and LTD was poising itself for the future.

Ms. Pappas asked about the increase in Materials & Services. Ms. Weaver replied that those expenditures would be almost flat, with a 1 percent increase. Wages would increase 5 percent. She added that the numbers were all relatively modest, in spite of all the exciting things happening at the District. The major issue for the FY 96-97 budget was to determine the appropriate level of capital reserving for future years.

Ms. Weaver discussed the history of the payroll tax and the projections for the future. She explained how the District would be using the increased tax revenues, which largely would go into capital reserves, to allow a much larger transfer than the 10-year average. The budget assumed that prior revenues would continue to fund a $1.1 million transfer, as in past years. Revenues from the self-employment tax and the increase in the tax rate would be funding the rest of the capital transfer.

Ms. Weaver explained the need for the increased capital reserves for replacement and expansion buses. Staff projected that federal matching capital would be provided at 50 percent for future bus purchases, believing that this was the best assumption based on current information. If that match amount were greater or lower, it could affect the District's capital reserves in 1997 and beyond. Ms. Weaver stated that the FY 96-97 budget was a conservative one, and staff hoped that the economy would grow at a greater rate than anticipated in the budget, to allow more reserve funding for capital.

Mr. Gaydos asked about funding for electric buses and BRT buses. Ms. Weaver said that the purchase of six small buses and two electric buses was programmed in the Long-Range Financial Plan, with replacements every ten years. A new page in the Long-Range Financial Plan showed 20-year projections done for TransPlan and included BRT funding. It assumed federal funding at 80 percent, because there was more interest in this type of project than for rail. Ms. Loobey added that a change in federal funding levels from 80 percent would not occur until at least the next fiscal year, so that was the assumption the District used in the FY 96-97 budget for bus rapid transit.

Ms. Weaver stated that funding for the first two corridors plus additional Park and Ride facilities also were included in the 20-year projections. She added that the District would need to focus on BRT capital reserves as an important financial issue in order to fund the third and fourth corridors in future years.

Ms. Weaver explained the components of the Long-Range Financial Plan and how they were used to build the budget each year. She explained that future years' projections were intended to be indications of future trends and reviewed and updated as new information emerged. This allowed the District to plan a one-year budget in a larger time frame.

Ms. Weaver said that the current University of North Carolina, Charlotte (UNCC) study was close to being done. She explained the Chamber of Commerce's interest in seeing LTD's performance statistics in relation to its peers when LTD was contemplating the self-employment tax and an increase in the payroll tax. As a result of this interest, LTD had contacted UNCC and been included in the study, which evaluated certain transit agencies' ability to provide high-density coverage, keep operating expenses low, provide low-cost rides, minimize the amount of revenue from taxes, etc. The evaluation measured transit districts in terms of economy (overall cost of operation); efficiency (wise use of resources); and effectiveness (degree to which resources produced results). This year, the District's rank increased to 17.5 percent in the nation, or 21 out of 120, based on 1994 statistics. The study showed that in comparison with the largest bus systems in the U.S., LTD provided a good amount of service and low average fares, excelled in operational efficiency, and had a system that was well-used.

Ms. Pappas asked if the study compared the percentage of trips in the local area. Mr. Pangborn replied that the study measured boardings per capita.

Ms. Weaver used a chart showing service hours per employee FTE. There had not been much change over the years, except to increase the numbers of service hours per employee, which was an improved performance statistic.

Ms. Weaver summarized by stating that the District's primary financial challenges were in bus funding, the potential fluctuation of the payroll tax, and meeting service increases in the future, which were projected to double in a 20-year period if the full BRT system were put in place. The primary financial success during the past five years was that operating and capital reserves had been accumulated. Approximately $2.4 million in new revenue from January 1, 1992, would be used largely for capital needs, with only $500,000 incorporated into the operation of the District. She stated that LTD was a strong organization able to move into the future, with a good 20-year picture, and added that the District's financial picture should continue to be reviewed every six months.

Mr. Montgomery asked if the Committee members could receive some numbers showing what would happen if the tax rate did not remain at .6 percent. Ms. Weaver said that she would prepare that for the Committee, adding that staff reviewed various scenarios, and it came down to the question of what the Committee thought would be the prudent thing to do in terms of capital reserves, since operations could be adequately funded with a lower tax rate. If the Committee believed it would be prudent to put money aside to purchase buses or fund BRT, then it would be prudent to keep the tax rate at .6 percent.

Mr. Montgomery asked what dropping the rate to .59 percent would change, and said he would like to see a sample of numbers on paper to show what the District would not get with a lower tax rate. Ms. Weaver said she would bring that information to the next meeting.

Mr. Bailey asked if the complete BRT system was reflected in the Long-Range Financial Plan. Ms. Weaver replied that it included bus costs, which were incorporated in the bus purchase planning. It also included the first two corridors and Park and Rides incorporated with BRT, but not the rest of the system. She stated that BRT bus purchases were estimated to be close enough to the costs of the other buses so that the emphasis could be shifted as needed.

Ms. Pappas asked if the proposed BRT plan meant that the first four corridor options were set and this budget implemented the first two routes. Ms. Weaver said that the Budget Committee was only looking at one year of the BRT for the FY 96-97 budget. The first year of the BRT system did not include any capital expenditures, but only staff planning. She added that Mr. Viggiano would discuss BRT in more detail.

Mr. Gaydos said that without a good sense of the self-employment tax revenues, it was difficult to answer Mr. Montgomery's question on projections and know the history of what to expect. Also, he wondered if there was any way to change projections based on the self-employment tax, so the Committee could see what would happen at different revenue levels. Ms. Weaver said she would do that, as well.

Ms. Lauritsen asked if Ms. Weaver could add estimates for what would happen at 80 percent, 50 percent, and no federal financing for buses, and possibly the bottom of the self-employment tax.

Mr. Brink asked if the projections for taxable wages took into account any real changes occurring in the community, such as Hyundai opening and the spin-off companies from that, the growth in the Gateway area, etc. Ms. Weaver said that the projections were based on the state, so the degree to which the economists projected that Portland would grow, then Eugene's growth would be accounted for. However, she suspected that the local projections would be better than the state's. She added that the numbers would change in the future, and it was important for the Board and Budget Committee to keep assessing the District's revenue picture. The major unknowns of bus replacement funding and the level of self-employment tax had a significant impact on the Long-Range Financial Plan.

Break: The Committee took a five-minute break at this point in the meeting.

Planning & Development: Mr. Crinklaw called the meeting back to order at 9:00 p.m. Planning & Development Manager Stefano Viggiano discussed the P&D budget. He explained that the role of this new department was to look long-range at service and facilities and coordinate with metropolitan planning. He said that development of a department that had solely a long-range focus was a key change of the reorganization.

Mr. Viggiano called the Committee's attention to the P&D budget on page 14 of the "Division Budgets" section. He described the budget on a project-by-project format, including the accomplishments and goals of five main work elements: the new Eugene Station; Bus Rapid Transit; Park and Ride facilities; strategic planning; and metro planning. He explained that his time working on the Eugene Station would be charged to the grant, and there would be capital expenditures. His time on this project would be reduced in FY 96-97, when construction began, and he would focus on longer-range projects. He stated that eight Park and Ride facilities were planned during a 20-year period, or about one every two to three years.

Mr. Viggiano next compared the P&D budget with the Planning division budget for FY 95-96, and discussed the changes for the next fiscal year.

Public Affairs: Public Affairs Manager Ed Bergeron explained how responsibilities were taken from former areas of Marketing, the General Manager, and the Director of Administrative Services to form the new Public Affairs Department. His position had been created in order to be successful with the Board's vision of effective relationships with the public, the community, and other agencies. He discussed the department's budget proposals for next year, including a quarterly issues newsletter for interested partners and decision-makers in the community; a metro television program once a month, to talk to the community about LTD issues; and ad agency fees and media for controlled messages to the community. The big issues for communication to the public next fiscal year included BRT, Eugene Station construction, the District's new strategic plan, results of the newest UNCC Study, and labor negotiations issues, as necessary.

Ms. Hocken asked about the budget histories for expenditures that were continued from previous years. Mr. Bergeron explained that those remained in the budgets they came from, mostly from Planning (now the P&D budget) and Marketing (now the Service Planning & Marketing budget). Ms. Hocken said she would like to see a schedule that showed the changes from last year in Public Affairs.

Mr. Montgomery asked how many people watched metro television, because it seemed that the budget included a tremendous amount of money for a small number of people to watch. Mr. Bergeron said that estimates were from the hundreds to the thousands. No detailed tracking had been done, and most metro television programs had been established as a resource to agencies and their constituents. Transit systems all over the nation were taking advantage of this medium, and Mr. Bergeron hoped that LTD would be able to engage a far greater audience in the community and obtain their feedback. He said that this would be a test year for the District.

Mr. Crinklaw asked if LTD had given consideration to communicating through the Internet, adding that the typical Internet user probably was not a bus rider. Mr. Bergeron replied that the previous year staff had used volunteers to establish a home page for LTD. It provided basic information, and had not changed. He recently had met with a consultant to see how the District's home page might be expanded. If that plan moved forward, those expenses would be covered out of the ad agency media budget.

Ms. Gilland asked how LTD would assess whether metro television worked for the District. Mr. Bergeron replied that there was money in the proposed budget for research, and staff were planning to ask the community those kinds of questions.

Ms. Murphy thought money for metro television would be well-spent, because it gave the District an opportunity for a message in other than short sound bites. She was concerned about the level of professional presentation. She noted that she had always seen top-notch quality at LTD, but if the metro television presentation were to be amateurish, it would turn people off. She liked the idea of using this community resource to its maximum to talk about issues such as the self-employment tax, etc.

Ms. Lauritsen asked who LTD was trying to target with the proposed metro television program. Mr. Bergeron said that a main target was the area's opinion leaders, who typically watched metro television programs, and LTD's bus riders, so they could be more actively involved in where LTD was going as an organization. Staff also hoped that potential riders would watch, so that the District could engage the community in discussions about how the service could be more effective for others.

ADJOURNMENT: The meeting was unanimously adjourned at 9:40 p.m. to the following evening, Thursday, April 25, at 7:00 p.m. in the LTD Board Room.

Budget Committee Secretary

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