MINUTES OF BUDGET COMMITTEE MEETING

LANE TRANSIT DISTRICT

April 10, 1991

Pursuant to notice given to *The Register-Guard* for publication on March 28, 1991, and distributed to persons on the mailing list of the District, a meeting of the Budget Committee of the Lane Transit District was held at 7:30 p.m. on Wednesday, April 10, 1991, in the LTD Board Room at 3500 E. 17th Avenue, Eugene.

Present:

Board Members	Appointed Members
Peter Brandt, Treasurer	Duane Faulhaber
Janet Calvert	John Humbert, Committee Secretary
Tammy Fitch, Vice President	Cynthia Pappas
Herbert Herzberg, Secretary	Rosemary Pryor, Committee Chairman, presiding
Thomas Montgomery	Roger Smith
Keith Parks, President	Tim Luck (non-voting until 4/17)

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

Absent:
(vacancy in subdistrict 5) Mary Gilland

CALL TO ORDER: Mr. Parks called the meeting to order at 7:30 p.m. Mr. Brandt asked if the Committee members might introduce themselves and tell a little about their background. Roger Smith said he was the Vice President for Engineering for Nestee Resins Corporation. Tammy Fitch said she was an LTD Board member and the office manager and secretary/ treasurer of Fitch Huggins Powell Insurance. Janet Calvert introduced herself as an LTD Board member and an Extension Agent for the Oregon State University Extension Service. Rosemary Pryor stated that she was a City of Eugene employee, an 18-year resident of the area, and what seemed like a life-long member of the Budget Committee. Keith Parks said he was retired and an LTD Board member. Thom Montgomery, Board member, managed the University of Oregon fish hatchery. Cynthia Pappas, new Budget Committee member, said she worked in the City of Springfield Development Service, lived on a farm where they raised raspberries, and was on several committees with Tammy Fitch. Duane Faulhaber said he worked in Corvallis as the OSU Assistant Budget and Planning Director, had been a Lane County resident all his life, and was in his fourth year on the Budget Committee. John Humbert was the Administrator of the Ya-Po-Ah Terrace retirement apartments, a non-profit organization. Herb Herzberg said he was retired, and a Board member. Peter Brandt said he was a CPA who had been on the Board about 10 years, and welcomed the new Budget Committee members. Tim Luke, whose nomination was scheduled to be confirmed by the Board at its April 17 meeting, said he was the Vice President for Finance for Pepsi-Cola Bottling Company, and that he was looking forward to being part of the Budget Committee.

MOTION **ELECTION OF COMMITTEE OFFICERS**: Mr. Parks asked for nominations for Committee Chair. Mr. Brandt nominated Ms. Pryor to continue as Chair. The motion was seconded, and Ms. Fitch moved for a unanimous ballot. Mr. Herzberg seconded the
VOTE motion, which then passed by unanimous vote.

Ms. Loobey explained that the duties of Committee Secretary were very light, and mostly
MOTION required a signature on approved minutes. Mr. Herzberg nominated Mr. Humbert. Mr. Brandt seconded, and Ms. Calvert moved that the Committee cast a unanimous ballot for
VOTE Mr. Humbert. Ms. Fitch seconded, and Mr. Humbert was unanimously elected.

PUBLIC COMMENT: Ms. Pryor opened the meeting for public comment.

(1) The first speaker was David Kelly of 2260 Augusta, representing the Laurel Hill Valley Citizens' Association. He explained that he had also testified at a Board meeting on February 20, after a staff presentation regarding proposed service additions. In March, the Board approved the start-up of service to the Laurel Hill Valley in the fall of 1991. Dr. Kelly said he had since learned that the budget proposal from staff recommended removing that service increase, along with a lot of other service increases, from the budget.

Dr. Kelly explained that the closest bus stop for Laurel Hill Valley residents was at Franklin and Walnut, which was anywhere from a 10- to 40-minute walk. He had included a survey in a newsletter, and received responses from 17 percent of those receiving the newsletter, which he considered a good response rate for a mailed survey with no return postage. Ninety percent of the respondents indicated that they would use the bus service even if only four trips per day were offered. Residents of the Valley include a number of Sacred Heart Hospital employees and University of Oregon employees and students. He said it would be possible to provide service to the area for a very low figure, because the Valley was close to the Glenwood facility. The estimated cost was $4,100, which amounted to 1/20 of one percent of LTD's operating budget. He said the neighborhood association was very delighted when the Board approved the service, and the spring newsletter included information about the service beginning in September. Then, because of a very tight budget, staff had recommended eliminating that approved service.

Dr. Kelly asked the Budget Committee to consider restoring the Laurel Hill Valley service as they worked through the budget process. He said that if the service was eliminated from the budget, people in the area would continue to be isolated; some would continue to pollute the air with their cars, and some would just plain be isolated, with no other transportation. Also, he said, it could cause some cynicism with the public process. He reminded the Committee that LTD could provide the service for only $4,100, and thanked them for their time.

(2) The second speaker was Don McCloud, who joined Dr. Kelly in encouraging the Budget Committee to restore the funds for service to the Laurel Hill Valley. He said he was in his fifth year as a member of the City of Eugene budget committee, so had some

understanding of the way the staff drives the committee process. He cautioned the Committee to be the decision-makers they were appointed to be, using the staff recommendations as a basis for their own decision-making. Mr. McCloud said his wife worked at Sacred Heart Hospital, that two UO employees lived across the street, and that another woman on his block was marooned unless she imposed upon her neighbors for transportation. However, he said he was there to talk to the Committee as an employer who paid the payroll tax. He said the issue with offering service to Laurel Hill was the cost, and whether or not the District would make its money back on the service. However, no route repaid the entire costs of service. He said he paid the payroll tax to the Oregon Department of Revenue every quarter, and as a taxpayer thought that the Laurel Hill Valley service would be an inexpensive addition for a neighborhood that was economically, politically, and culturally into alternatives. He said it was a neighborhood that was prepared to ride transit.

Mr. Humbert asked about potential ridership from the neighborhood. Stefano Viggiano, Planning Administrator, said staff had assumed an average of 15 riders per day on each of the five proposed trips, or 75 riders per day. He said that would be a fairly high modal split, and staff believed the Laurel Hill Valley to be a neighborhood with a high propensity to ride transit.

Dr. Kelly added that, among survey respondents, something like 45 percent would expect to ride daily, and another 35 percent would ride at least one time per week. He said this would result in between 500 and 600 person trips a week.

MOTION
VOTE

APPROVAL OF MINUTES: Ms. Fitch moved for approval of the minutes of the April 25, 1990, Budget Committee minutes. Mr. Brandt seconded, and the minutes were approved by unanimous vote.

BUDGET MESSAGE:

Budget Process: Mr. Pangborn, Director of Administrative Services and Budget Officer, explained the function of the Budget Committee. He said the District, as a state agency, was mandated by state law to have a budget committee, which was comprised of the seven Board members and seven members appointed by the Board. The function of the Committee was to review and approve the budget, to select a budget that met the approval of the majority. He stated that the Budget Committee had a right and an obligation to change the budget if the majority believed that change to be appropriate. Once the budget was approved by the Committee, it would be forwarded to the Board of Directors for adoption. This was scheduled to happen at the June 19 Board meeting, before the beginning of the new fiscal year on July 1, 1991. The Board had the option to amend the budget, within certain constraints. If the Board's changes were large, the Budget Committee would have to be reconvened.

Mr. Pangborn said that the following two Wednesday evenings had been scheduled for Committee meetings. The meetings would begin at 7:30 p.m. and would normally end at 9:30 or 10:00 p.m., depending on the wishes of the Committee members.

Mr. Pangborn then explained the separate sections of the budget document. He said the division summary section would be used by the division administrators to present their budgets to the Committee. The historical budget would provide more detail for the Committee.

Fiscal Year 1991-92 Proposed Budget: Mr. Pangborn provided an overall summary of the budget message, which was a separate section of the budget document. He discussed two important statistics in terms of LTD's productivity: ridership, which referred to each trip made by a rider, including transfers; and service, measured in number of hours. He explained that ridership had increased from 600,000 annual rides in 1971 to almost 5 million annual rides currently. Service hours had fluctuated around 200,000 hours per year during that same period. Mr. Pangborn explained high and low ridership years based on events in the economy, such as the gas crisis in 1979-80. During a time of declining ridership, service had been cut 33 percent within a three-year period.

Mr. Pangborn discussed budget policy guidelines used by staff to develop the budget. First, service was to increase with the population, which staff estimated at a rate of about 2 percent annually, and the stability of the system was to be maintained, because stability was an important consideration for riders. Second, capital expenses were to be funded in order to capitalize the system for 2 percent growth, and to make sure the District would have adequate equipment replacement funds. Third, fares were to increase with inflation, in small, incremental increases.

Between 1984 and 1991, ridership increased 68 percent, faster than the population growth, in what Mr. Pangborn said might be the largest increase in the nation. Service increased 22 percent, at a lower level than the ridership increases, which resulted in a 46 percent increase in productivity. In addition, LTD had built an infrastructure that had been the foundation of the District's success, by building the operations and maintenance facility in Glenwood, purchasing 56 new buses, and building transfer stations throughout the community, such as the stations at the University of Oregon, Lane Community College, and at various shopping centers. Mr. Pangborn said this infrastructure was the foundation for both current and future service. Payroll tax revenues had increased 76 percent during that eight-year period, which enabled the District to reduce the payroll tax rate three times, leaving approximately $9 million in the community.

Mr. Pangborn then discussed the long-range financial plan to give the Budget Committee an idea about LTD's future. The payroll tax rate on the summary was projected at .6 percent beginning on January 1, 1992. Staff projected revenues and expenses for a three-year period, in order to ensure a balanced budget in future years. Mr. Pangborn was asked to explain a deficit in 1994-95. He said that a number of assumptions had been made, including a substantial increase in Materials & Supplies to begin maintaining a new downtown Eugene transit station. However, he said, in projecting more than three years, there were many assumptions and projections that were hard to predict and many decisions that would be made in the next few years which would affect those future years, so a slight deficit was fairly insignificant. The point of projecting beyond three years, he said, was to show that it would be possible to balance the budget during those future years.

Ms. Pryor asked why the budget projections jumped back up in 1995-96. Tamara Weaver, Finance Administrator, explained that staff made some assumptions that the growth of the payroll tax would be significant by the fourth and fifth years, but really spent most of their energies on the budget for the next three years, since projections as far out as four and five years are not very reliable.

Mr. Luck asked about the assumption that excess cash would contribute to the budget, and how the cash carry-forward occurred. Mr. Pangborn replied that there was a contingency of $250,000 for FY 1991-92, which was in the budget for emergencies, but could not be used for planned expenditures. For that reason, staff assumed that money would be available to carry over into the following fiscal year.

Ms. Calvert asked if the District would not be putting the cash surplus into Capital Projects and Risk Management, as it had in the past. Mr. Pangborn said the District would need to be sure it had enough cash to operate from one quarter to the next, and that an adequate transfer to capital had been budgeted without the cash surplus.

Mr. Pangborn then discussed the process that staff went through to develop the proposed budget, so that the Committee could see the trade-offs that staff had already considered. First, he said, since it was known that revenues would be tight, instructions to staff were to prepare a budget with no staff increases, and only a 4 percent inflationary increase in materials and supplies, unless there were expenses dictated by outside agencies, such as utilities or postage. In the first draft, personnel costs increased 7.2 percent, as a result of a Board-approved 4 percent salary adjustment for administrative staff and a 3.2 percent increase for benefits. Materials and services increased 7.3 percent, largely due to higher increases in parts and fuel; maintenance costs for the Glenwood facility following the expiration of the contractors' warranties after the first year in the facility; and maintenance of passenger boarding improvements--with their high use came higher maintenance costs. The total impact of the first budget draft was a 7.2 percent increase in base operations.

Staff then addressed concerns and requests from the community, which were evaluated during the Annual Route Review process. Mr. Pangborn stated that LTD had received the most significant number of requests for service in his eight years at the District. Staff had prioritized the requests and calculated a dollar figure where reasonable to do so.

Ms. Pappas asked how service requests were eliminated from the high priority list. Mr. Pangborn said the decisions were based on both productivity and cost. As an example, he said, a request had been made by residents of Deerhorn Road, which had low density and would have required significant service changes. Since the cost estimate was $40,000 and staff expected low productivity, that service was not recommended for implementation.

Mr. Pangborn explained that the FY 91-92 service changes would begin in September, three months into the fiscal year. The Board approved FY 91-92 service at a cost of $246,700, with an annualized cost of $324,800.

Mr. Pangborn said that as staff got further into the budget process, it became apparent that they would have to make this budget as trim as possible. After much discussing and agonizing, staff developed a budget list which included: (1) Dial-A-Ride service changes mandated by the federal Americans with Disabilities Act (ADA), a civil rights law for persons with disabilities which mandated that all buses of transit systems that run fixed route service must be lift-equipped, something that LTD had accomplished in 1983, and that service hours and coverage area for paratransit must be comparable to fixed route service; (2) funds to mitigate overloads on current service (including both service additions and cuts where appropriate); and a first-time budgeted amount for tripper service, for overloads that could not be anticipated. Staff had originally hoped to begin the additional Dial-A-Ride service in October, although the ADA required that the service begin in January 1992. However, staff later changed the recommendation to begin this service in January, to reduce the costs from $126,000 to $97,000.

There were additional needs considered by staff but not included in the proposed budget. For example, an additional Customer Service Center representative had been requested to handle an increased call rate of 25 percent this year; a system supervisor had been requested to allow more supervisor time in the field with bus operators and customers; and an inside bus cleaner had been requested, because more riders meant dirtier buses. All these requests were the result of the high ridership increases, and staff had seen them all as valid requests, but there was no money to fund any of them.

A few additions to the FY 91-92 base budget were proposed: (1) the federally mandated Dial-A-Ride service increases ($97,000); (2) service changes to address overload and running time problems ($76,000 for three bus operators--two due to service increases and one to cover increased vacation time for long-term employees--and $7,300 for additional fuel costs); and (3) mall guides, who would be trained to patrol the transit station, answer questions, and contact police if necessary, to give a greater sense of security at the Eugene Station ($13,000). Mr. Pangborn explained that during the last six months or so staff had received input from riders and bus operators that they were concerned about the safety at the station, especially when the Customer Service Center was closed. Staff saw the guides program, developed and maintained by the downtown business owners, as the least expensive way to deal with this problem. The $13,000 would provide LTD with two guides during the entire time the buses were running.

Ms. Pappas asked if staff had explored the possibility of paying for the guides from the business assessment. Ms. Pryor replied that the downtown development district tax would end on July 1. Mr. Brandt said he presumed the District was not paying more than its fair share of the cost for the guides. He wondered what percentage of the total guides budget LTD would be paying for its percentage of time. Mr. Pangborn said that staff had looked at this issue in the sense that it was very inexpensive in terms of hours of coverage, but would find out what percentage of total costs LTD would be paying.

The Committee took a short break at this point in the meeting.

Risk Management Fund: Mr. Pangborn discussed this category in a general sense, since it would be covered in more detail later in the budget process. He explained that the Risk Management Fund covered all premium costs for the District's insurance, and that there was essentially no change from FY 90-91 to FY 91-92.

Capital Projects Fund: Mr. Pangborn explained that the Capital Projects Fund was where the District saved the money necessary for capital improvements, such as the Glenwood facility and the 25 new buses that would go into service later in April. He said that staff were proposing a significantly lower contribution to the Capital Projects Fund in FY 91-92, since there was proximately $1.6 million in reserves, and a significant contribution was not necessary. However, he said, a higher contribution would be needed again in future years, to maintain the District's infrastructure as outlined on page 1 of the Capital Projects Fund budget. The largest purchase programmed in future years was $12 million for approximately 45 buses in two separate purchases. Mr. Pangborn stated that only two of those buses would be for expansion; the rest would be necessary to replace the current fleet. However, old buses would be put into a reserve fleet, and could be used when necessary until they were no longer structurally sound. Other capital purchases would be for passenger boarding improvements such as an expanded UO station, passenger shelters at bus stops, and a proposed new downtown Eugene Station. Mr. Pangborn explained that the LTD Board was currently deliberating on selecting a location for a new Eugene Station. The current station was at capacity, and additional buses could only be added across the street, making the station even longer, when service was added. It had been determined that an off-street station would facilitate the transfer process and provide better security and control of the station.

The preliminary cost estimate for a station on the Elections Lot was $10.4 million, so the Board had directed staff to see how costs could be reduced. Mr. Pangborn had put $8.4 million in the budget over a four-year period. Staff expected that a site would be selected within the next year, so the District would not be spending very much money on this project in the next year or so, and would have time to adjust the numbers in future years, depending on the final cost of the facility. Mr. Pangborn added that the Capital Improvements Program showed the total costs of projects; LTD's share would be 25 percent of the amount shown. Mr. Montgomery asked what would happen if the federal share ratio changed. Mr. Pangborn said it would cause the entire capital plan to have to be reviewed.

Revenues and Expenses: Mr. Pangborn used the Revenue/Expense Summary to discuss anticipated revenues. There was some discussion about advertising revenues, which were set by contract as a result of a competitive bidding process. It was explained that LTD leased the advertising space on the buses to Obie Transit Advertising, which sold the space and prepared the advertisements. For FY 91-92, LTD was guaranteed revenues of $106,000. Ms. Weaver added that if LTD decided to no longer allow political advertising, a clause in the contract would cause revenues to drop by $777 per month.

Mr. Pangborn next discussed payroll tax revenues, which were budgeted at $7,120,000 based on an increase in the rate to .006 of gross payrolls which would impact the fourth quarter in FY 91-92. He showed a comparison between quarters in FY 89-90 and FY 90-91, with an average growth of 11.3 percent in FY 89-90, and a projected 2.7 percent growth for the current fiscal year. Staff had projected a 4 percent increase, which had seemed to be a very conservative projections. Mr. Pangborn said that all projections were that the recession, which first became apparent in the FY 90-91 third quarter payroll tax revenues, would continue into next year. Staff were projecting that the FY 91-92 payroll tax revenues would be essentially flat for the year.

Mr. Pangborn also explained the effect of keeping the payroll tax rate at .0049 rather than increasing it to .006, and the reasons for changing the rate in January of any given year. Because January-March revenues are received by LTD in the fourth quarter, a January increase would have a one-quarter impact on FY 91-92, but a significant impact on future years. Mr. Pangborn also used a chart to show the proposed budget with and without the proposed rate increase over a three-year period. In the first year, the District would stay above the deficit position with either rate, but would have to make major cuts in order to remain above the deficit position in future years without a rate increase. He reviewed the history of the payroll tax rate, and showed that it went up or down according to the District's operational needs.

The State In-lieu-of tax was expected to remain about the same in FY 91-92. The University of Oregon was expected to cut staff positions but increase salaries about 3 percent. Operating grant funds from the Urban Mass Transportation Administration (UMTA) were expected to remain frozen at the current level ($1,159,000). An increase in total allocations had been proposed, but any increase would probably be in capital funding, not operational funding. At the federal level, the argument was made that the federal government is responsible for capital projects in the states, but operational funding should be handled locally.

Ms. Fitch asked a question about the group pass and its relationship to the cash fare. Mr. Pangborn said that Board policy tried to maintain a balance between cash fare increases and token and pass price increases, which were alternated. He said that the increase in the group pass price would be an inflationary increase, and would not be related to the increase in cash fares. Sacred Heart Hospital and the City of Eugene group pass revenues were also annualized in the FY 91-92 budget. Ms. Weaver said that the UO was projecting a decrease in enrollment, so the budget numbers were somewhat suppressed. Ms. Pryor said she had read that LTD would not be actively pursuing new group pass participants. Mr. Pangborn replied that the budget numbers were for current participants. Lane Community College was very interested in a group pass program, but that had not been included in the proposed budget.

Special Transportation Fund money was used for Dial-A-Ride service. LTD received money from the state two-cent cigarette tax, and passed the money through to the Lane Council of Governments (L-COG) to fund paratransit. LTD also added a contribution to the fund, an increase from $111,400 in the current budget to about $200,000 in FY 91-92.

Mr. Pangborn stated that the key to the budget was in the General Fund. Staff had tried to add only service that could be maintained in future years. A total increase in revenues of 7.4 percent and an increase in expenditures of 9.7 percent were projected. Staff had proposed a reduction in the amount contributed to Capital Projects, and included a contingency of $250,000, which they hoped to not have to spend.

Ms. Pappas asked if there were other operating grants for which the District could apply. Mr. Pangborn said that LTD had received some Section 18 money in the past, which was actually federal money provided to the state to fund rural transportation services. LTD had used Section 18 funds to provide service in Junction City, but that service had been cancelled because it proved to be unproductive. Mr. Pangborn stated that UMTA was the main source of grant money for operating funds, and that the state did not really provide any operating revenue except the STF funds, which were passed through to L-COG.

In summary, Mr. Pangborn said that payroll tax revenues were projected to provide 58 percent of the District's budget, while passenger fares would amount to 17.2 percent; federal assistance, 9.5 percent; and state in-lieu-of taxes, 5.6 percent.

Mr. Luck said he understood that Tri-Met used a self-employment tax, and wondered if that had been considered as a revenue source for LTD. Mr. Pangborn explained that LTD had the same statutory authority as Tri-Met, but when LTD began operation, it did not even need the full .006 payroll tax rate. A few years ago, LTD did consider levying the self-employment tax, but at a public hearing, only those who would be taxed came to protest, and the payroll taxpayers whose rate would have been reduced as a result, didn't say anything. The Board decided that it was not worth the effort, since it would be a more expensive tax to collect.

Mr. Luck wondered what the potential revenue would be for a self-employment tax. Ms. Loobey thought it would be approximately $300,000, not including collection costs. Mr. Pangborn thought the $300,000 in collections was figured at the .005 rate. He said he had tried to compare LTD's potential with Tri-Met, which received about 3 percent of total payroll tax revenues from the self-employment tax. He said that this tax was an option for LTD, but had not been selected by the Board of Directors.

ADJOURNMENT: There was some discussion about process for the next meeting. There was some feeling that presentations would not be needed since there were few significant changes from the FY 90-91 budget. However, Mr. Brandt was concerned that the Committee would not be able to decide if staff should be making other cuts unless they discussed each area to some extent. Ms. Pappas said she would be curious to hear about items that were considered but not included in the budget. It was decided that division administrators would not give lengthy presentations, but would be available to respond to questions and also would be prepared to make longer presentations if the Committee had a number of questions about specific budgets.

MOTION
VOTE

Mr. Parks moved that the meeting be adjourned to Wednesday, April 17, 1991, at 7:30 p.m. in the LTD Board Room. The motion was seconded, and the meeting was unanimously adjourned at 9:45 p.m.

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Budget Committee Secretary