

MINUTES OF LANE TRANSIT DISTRICT
SPECIAL BOARD MEETING/WORK SESSION

LANE TRANSIT DISTRICT

Monday, September 12, 2011

Pursuant to notice given to *The Register-Guard* for publication on September 8, 2011, and distributed to persons on the mailing list of the District, the Board of Directors of Lane Transit District held a Special Board Meeting/Work Session on Monday, September 12, 2011, beginning at 5:30 p.m. in the LTD Board Room at 3500 East 17th Avenue, Eugene.

Present: Mike Eyster, President
Greg Evans, Vice President
Dean Kortge, Secretary
Ed Necker, Treasurer
Michael Dubick
Gary Gillespie
Doris Towery
Ron Kilcoyne, General Manager
Renee Jones, Assistant to Clerk of the Board
Ginger Morton, Minutes Recorder

CALL TO ORDER/ROLL CALL: Mr. Eyster convened the meeting of the Lane Transit District (LTD) Board of Directors and called the roll at 5:35 p.m.

PRELIMINARY REMARKS BY BOARD PRESIDENT: There were no remarks by the Board president.

ANNOUNCEMENTS AND ADDITIONS TO AGENDA: There were no announcements or additions to the agenda.

WORK SESSION

West Eugene EmX Extension Project Status: Leon Skiles, of the consulting firm Leon Skiles and Associates, was introduced. Mr. Skiles said that he was hired by LTD as an outside consultant to conduct the technical work on the West Eugene EmX Extension (WEEE). He relayed that he had graduated from the University of Oregon and began his career in transit when he worked at LTD in the early 1980s. He began his consulting career in Seattle, Washington, doing high capacity transit planning and then relocated to Portland, Oregon. He was the manager of Metro's high capacity transit planning section. He has now had his own firm for 10 years, and his specialty is preparing environmental impact statements for major transportation projects, and New Starts and Small Starts projects. He has played a part in every New Starts and Small Starts project in Oregon since the programs began.

Mr. Skiles explained that part of the application process for a Small Starts grant was demonstrating a case for the project and providing the required analysis for the Federal Transportation Administration (FTA) indicating why the project was worthy of federal funding. The case for federal funding was developed by identifying the merits of the project. The key merits that came from the required Small Starts grant submittal materials, which were due to the FTA on September 12, 2011, were:

- High cost effectiveness (pending FTA review)
- More than 500,000 new transit person trips (systemwide, 2017)
- Increased average transit vehicle speeds
- Improved operating efficiencies
- Increased transit mode-split for key markets
- Reduced traffic congestion in corridor
- Linked 52,000 residents with 64,000 jobs (full EmX line, 2017)
- Approximately 600 acres of vacant/re-developable land (1/2 mile around station areas, 2010)

Mr. Skiles said that Small Starts is the FTA's way of determining whether the federal government should participate in funding local projects across the country. A key responsibility of the FTA is comparing large and small transit districts and projects across the country on an equal basis. The FTA tries to level the playing field so that it can fairly evaluate different projects for funding. For Small Starts projects, the FTA looks at cost effectiveness, land use, and economic development. The FTA also assesses local financial commitment for a Small Starts project by reviewing:

- Reasonableness of the capital plan
- If the project will have a large or small increase in operating costs
- If the District is financially stable

If the above three criteria are adequately met and the requested federal funding is 50 percent or less, the FTA rates the project "high." If the requested federal funding is 50 percent or higher, the project is rated "medium." Mr. Skiles said that LTD's project is likely to be rated as medium on the federal share side. A "medium" or better is required to justify an FTA recommendation to advance into Project Development.

When progressing through the Small Starts process, there are primarily three alternatives to be considered: 1) No-Build; 2) Baseline, which allows FTA to index its cost comparison across the country to the proposed build project; and 3) the Locally Preferred Alternative (LPA). Mr. Skiles then described the various details of the three alternatives.

Mr. Skiles next addressed the costs associated with extending the EmX line to West 11th Avenue. He said that Small Starts requires two ways of reporting capital costs: 1) current dollars; and 2) year of expenditure dollars. He explained that the year of expenditure dollars is what is needed to be budgeted for, so it was important to know when the project would be completed. The capital costs in 2011 dollars are \$84.2 million. The year of expenditure dollars is estimated as \$95.6 million (2011 dollars with an inflation factor to 2017). Of the \$95.6 million, \$75 million is federal (Small Starts) funding, which is the maximum federal funding available. This will require \$20.6 million in state funding through sources such as the State Lottery.

Mr. Skiles described the various operations, and management (O&M) costs, and that the analysis had determined that the O&M increase would represent a 2.8 percent increase above the existing system. The FTA considers new project O&M costs under 5 percent more clearly affordable by transit agencies than costs over 5 percent.

Mr. Skiles explained how the FTA calculated cost-effectiveness. Factors such as comparisons of alternatives, frequency, wait times, and EmX attracting more riders than standard service were considered. Based on the proposal of the LPA versus what the baseline alternative would be, a cost of \$6.90 was calculated, pending FTA review and approval. He said that this project is likely to be among the highest in cost-effectiveness for a project in the nation this year.

Mr. Skiles next talked about average transit vehicle speeds and travel times, which he said was complicated. The accepted way to look at travel times was to determine the average speed of transit vehicles in the peak hours, in the peak direction, during congested times, and in three different corridors; and to look at the average transit vehicle speeds. With the LPA, it was determined that there would be a 10 to 34 percent increase in transit vehicle speeds. Annually, user benefits would be 900,000 hours of travel time saved under the LPA. Transit dependent riders would make up one-third of the travel time saved. The LPA also improved operating efficiencies and congestion.

Mr. Skiles referred next to the user benefits maps shown in the PowerPoint presentation, which showed the level of benefits to riders under the LPA compared with the Baseline alternative. The maps showed wide areas that would have measurable benefits due to travel time improvements, with few small pockets indicating reduced benefits from increased transit travel time due to new transfers. The few areas negatively affected are vastly outweighed by overall benefits provided throughout the corridor.

Mr. Skiles explained the FTA's next steps in the Small Starts project development would be review, approval, and rating by the FTA; which would be based on the definition of the alternatives, the methods, and the results. The rating by the FTA must be "medium" or better for the project to advance. The FTA rating will be based on its detailed evaluation of the project, local financial commitment, and the overall comparison of the project with other Small Starts projects. Project readiness will be assessed, which is the capability and capacity for the undertaking of moving into project development. LTD has demonstrated with its previous EmX projects that it has the capacity and capability. The next stage of the project will be Project Development, which includes preliminary engineering and final design. If the FTA approves the project, it will be considered for inclusion in the President's FY 2013 budget. The FTA's commitment to fund the project would come in 2013 when a Project Construction Grant Agreement could be signed.

Mr. Eyster asked for confirmation that when Mr. Skiles was hired by LTD, his charge was not to find a way to make the project work, but to study and determine if the project was feasible.

Mr. Skiles said that he was charged with reporting accurate data for thorough review by the FTA. He said that was important because the FTA required accurate data and analysis and ensures consistent high standards nationwide.

Mr. Eyster said that another critical piece of information to be considered by the Board in the future, was if it was satisfied that the District could operate such a system.

Mr. Evans stated that the expansion's overall benefit to the community must be clearly defined.

AUDIENCE PARTICIPATION: Mr. Eyster explained the guidelines for providing testimony to the Board.

Bob Macherione, 1994 Brewer Avenue, Eugene, said that the conversation was interesting, and that the Board had pulled off a miracle. He questioned the numbers provided in the presentation. One question was regarding the West Jefferson neighborhood mode-split commute. He reminded the Board that the people in West Jefferson did not want the EmX in their neighborhood, yet there was an increase of 30 to 37 percent because the LPA was not through that neighborhood. He said that did not sound correct. He said that the 40 percent increase in ridership was speculative. He said this was based on numbers that LTD provided. LTD had used the 40 percent increase number already, and when pictures of empty Gateway buses were shown, someone should have to back up from that 40 percent claim. He said that the \$1.2 million cost analysis was the same \$1.2 million that

justification had been previously asked for. All that was actually corrected was the current fuel costs, but no other accurate number was provided. He said that this was not an actual report, and anecdotal information was not fact either. LTD was going in the wrong direction. LTD had not addressed its pension problem, which was escalating due to stock market conditions. Reserves had not been addressed. LTD would be spending the free money it received from the federal government during the next five years down to nothing. He said LTD could not afford this. The reports said LTD was healthy, but he did not see it. He did not understand why LTD was pushing so hard to go down this road. Even without public opposition, LTD should not be on that road.

George Cole, 2730 West 11th Avenue, Eugene, said he was still unhappy with the fact that he was ignored 10 years ago by LTD for \$160,000, and he was still unhappy because he was still paying for it. He said that he was disappointed that there were only two people on the LTD appointed Board that would even listen to the concerns on West 11th Avenue. When he heard there was going to be 600 available acres there, he wondered if that included the holes that would be created, like the holes that were created in downtown Eugene that had to be filled with taxpayer's money because businesses there were going to fail. He unhappy with the LTD Board and staff saying that mixed traffic mitigation would solve all the problems. It would not solve any problems; it would slow down service, and make traffic more difficult. What would happen was that with the rapid transit at intersections, and spending \$1.2 million, the system was not going to work; and the property in between would have to be condemned. He said that it was going to take people longer to get where they want to go anyway. All LTD was doing was to be in compliance with the Mayor's wishes. He said he had to discipline himself to realize that LTD was only dealing with appropriated dollars and forget about earned dollars. LTD will have to tax the earned dollars (the businesses) to make this project work. A qualified accountant in town told him the system was going to fail in five years by its own weight. He said we do not need this, but to service Eugene by restructuring of the routes, which was alluded to in tonight's discussions. However, LTD was still going to waste money on something people do not want.

Josef Siekiel-Zdzienicki, 1025 Taylor Street, Eugene, brought up that on page 10 of the presentation under "Average Distance Times," there was a transit time for 6th and 7th Avenues, but there was no transit on 6th and 7th Avenues. He said that he had no idea where that information came from and that it was total fantasy. He asked what would happen to 11th and 13th Avenues between downtown and Garfield with the proposed rerouting.

Salaried Employees' Retirement Plan Design: Director of Human Resources and Risk Management Mary Adams introduced Attorney Everett Moreland of Hershner Hunter LLP.

Ms. Adams said that several months ago, the Board made a decision to review the Salaried Employees' Retirement Plan. Since February 2011 the Human Resources (HR) Committee has discussed the plan in a number of different meetings in different formats. On June 13, 2011, the full Board gave the HR Committee direct guidance on what the plan should look like. On August 9, 2011, the HR Committee met to do design work on the final plan. Mr. Moreland drafted a proposed plan with input received from the HR Committee. The Board was not being asked to adopt the proposed plan at this time, but to provide feedback on the components of the plan.

Ms. Adams said that on June 13, 2011, the Board gave guidance to the HR Committee that it wanted the cost of the plan to be no more than 9 percent of an employee's payroll and that the defined contribution should be approximately 6 percent of payroll. The plan created a schedule of contributions that started at a smaller level for new employees and ended at a higher level percentage for longer-term employees. The Board's direction reflected that it wanted to reward long-term employees.

Mr. Dubick commented that the goal of the Board was to limit LTD's costs and to shift the investment from LTD to the individual employees, thereby limiting LTD's liability.

Mr. Kortge noted that it was important for the Board to recognize that the plan would only affect new hires. Over the short-term (three to four years) the actual cost of operating the plan would probably increase because there would be a lower number of people. This was a long-term fix to a problem created because of what the Board understood was the way to operate a pension plan that had changed over time.

Ms. Adams pointed out that in the schedule, LTD's contributions would be lower to start. The intent was to encourage long-term service, but it also helped with cost in the early years of the plan.

Ms. Adams said that the benefit structure showed that there would be a defined contribution, which would be LTD's contribution, and a second piece was the matching plan to help people get started on their own retirement plan. The Board had indicated that it wanted the matching plan to be approximately 3 percent of the cost. The employer matching contribution would be up to 50 percent of the employee deferral on the first 6 percent of compensation. She said the employer contribution could be changed later if deemed necessary. Ms. Adams added that the new plan would be for new hires beginning January 1, 2012.

Mr. Kortge asked if after the new retirement plan went into effect, an ATU member moved into a salaried position, would that member start the new plan? It could be seen as a barrier for someone wanting to make that position change.

Ms. Adams explained that in that scenario, the employee would have two plans. The existing plan would not be given up, but there would be no further contributions to that plan.

Ms. Adams said that the new plan also needed to define compensation, which differs from the current salaried plan. The current plan allows an employee to cash out his/her remaining consolidated annual leave (vacation and sick leave benefit). That cash-out goes toward the final compensation figure for purposes of calculating retirement benefits. The new definition was narrower and did not include the cash out. She said the new definition was more consistent with public plans in development.

Mr. Kortge explained that the new plan was liberal in terms of defining an employee. The hire date on which the employee first worked one hour for LTD would be the relevant factor in determining an employee's eligibility for the new retirement benefits.

Ms. Adams said vesting was based on elapsed time and not on working a minimum number of hours in a year. An employee would earn a year of vesting service on each anniversary date of the date of hire.

Ms. Adams said graded vesting would be used for Employer Discretionary and Matching Contributions to provide a significant financial incentive to continue working with an employer throughout the vesting period. For example, after three years of employment with LTD, an employee could withdraw 30 percent of discretionary contribution and 100 percent of matching contribution. The HR Committee had met with actuaries who recommended the graded vesting. The graded vesting was considered very generous and not typical, as many plans do not allow an employee to withdraw any money from the Matching Contribution in the first or second years of employment.

Regarding entry provisions, Ms. Adams said that an employee would immediately participate in the retirement plan, and ATU transfers would immediately participate upon transfer.

Ms. Adams said that the definition of retirement would change with the new retirement plan. Normal retirement would be the latter of age 65 or five years of service. The current plan was age 60, which was a significant change. At ten years of service, an employee could withdraw 100 percent.

Ms. Adams next addressed defined contribution investment options. The new plan does not dictate investment. The new retirement plan would give employees a list of choices with options. It was not necessary at this time in the development of the new retirement plan to define what the investment options would be.

One item Ms. Adams said that the Committee felt strongly about was getting employees involved early with automatic investments. One way to do that was to automatically enroll at the point of hire. Actuaries advised that initial enrollment at 6 percent, or the maximum contribution level that was matched by LTD, was a common number. The HR Committee thought that was a reasonable place for employees to start. Employees would have the option to change that, including withdrawing; and there would be a certain number of days within which to make that decision. Employees would start with enrollment at 6 percent, but be able to opt out.

The next plan change that Ms. Adams mentioned was the employer matching contributions equal to 50 percent up to the first 6 percent. Because employee contribution would be an important piece in employees amassing sufficient retirement income, a matching contribution formula, which encouraged higher contribution rates, was recommended. The plan would have the ability to adjust this over time if it did not seem to be the right contribution level.

Ms. Adams said that another important issue was whether the new plan would provide an annuity upon retirement. The HR Committee expressed that they felt that the new plan should not require nor offer annuities. An employee could take his/her lump sum distribution and buy an annuity on the open market. This would have the effect of shifting the investment risk from LTD to the employee, and LTD would educate the employee on investment options.

Lastly, Ms. Adams said the new plan would not allow hardship withdrawals, in-service distributions, or loans.

Mr. Eyster said that the draft plan that was presented correctly portrayed what the Board had requested.

Mr. Moreland said that he would finalize the draft plan for the Board's approval and adoption at the September 21, 2011, meeting. He said that after the Board's adopts the new plan, it would rest with the Internal Revenue Service for approval.

Ms. Adams reiterated that the new plan, if adopted and approved, would be effective on January 1, 2012.

EXECUTIVE (NON-PUBLIC) SESSION: Mr. Dubick moved that the Board meet in Executive Session pursuant to ORS 192.660(2)(a), to conduct deliberations with persons designated by the governing body to carry on labor negotiations. Mr. Gillespie provided the second.

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


The Board entered executive (non-public) session at 7:56 p.m.

RETURN TO REGULAR (OPEN) SESSION: The Board returned to regular session at 9:02 p.m.

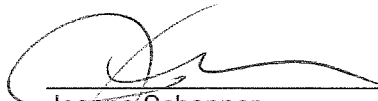
ADJOURNMENT: Mr. Eyster adjourned the meeting at 9:02 p.m.

LANE TRANSIT DISTRICT

ATTEST:



Dean Kortge
Board Secretary



Jeanne Schapper
Clerk of the Board

Date Approved: November 16, 2011

Q:\Reference\Board Packet\2011\11\Reg Mtg 11-16-11\BDMIN SPC_9-12-11.docx