

DRAFT

Subject to review &
approval

**CORVALLIS CITIZENS ADVISORY COMMISSION ON TRANSIT
MINUTES
December 8, 2010**

Present

Bob Lowry, Chair
Susan Hyne
Tom Kincaid
Ray Shimabuku
Robert E. Wilson
Hal Brauner, Council Liaison

Staff

Tim Bates, Public Works
Brie Caffey, Public Works

Visitors

Charlie Tomlinson

Absent

Stephan Friedt, Vice-Chair
Ryan Ludlow, ASOSU
Brandon Trelstad

SUMMARY OF DISCUSSION

Agenda Item	Information Only	Held for Further Review	Recommendations
I. Introductions	X		
II. Approval of October 13, 2010 Minutes			Approved.
III. CACOT/Visitor Comments	X		
IV. Old Business	N/A		
V. New Business	N/A		
VI. Information Sharing	X		
VII. Commission Requests and Reports	N/A		
VIII. Pending Items	X		
IX. Adjournment			Adjourned at 9:26 am

CONTENT OF DISCUSSION

I. Introductions

The meeting was called to order at 8:24 a.m. Introductions of Commission members, staff, and visitors were made. Chair Lowry reversed the scheduled order of agenda items II and III.

II. CACOT/Visitor Comments

Outgoing Mayor Tomlinson addressed the Commissioners and thanked them for their service to the community. He said he especially appreciates how CACOT has given citizens the opportunity to speak and feel heard. Mayor Tomlinson noted that the December 6th passing of the Sustainability Initiative Fund (SIF) fee by City Council is a wonderful opportunity to take transit to a new level, and encouraged the Commission to let citizens know how the new revenue will be spent. He acknowledged Councilor Brauner as a strong supporter of transportation and advocate for the transit SIF fee. Mayor Tomlinson noted that the Commissioners' work is an awesome responsibility and he wished them well. Lastly, he said some of the best municipal staff in the country work for Corvallis, noting that they are good people who work hard on the community's behalf.

III. Approval of Minutes

Commissioners Wilson and Shimabuku, respectively, moved and seconded to approve the October 13, 2010 minutes. The motion passed unanimously.

IV. Old Business

None.

V. New Business

Commissioner Shimabuku asked staff if they knew about an upcoming meeting regarding a reduction in funding for people with developmental disabilities who use Dial-A-Bus. Mr. Bates was not aware of the meeting and explained that Dial-A-Bus is the selected contractor for both the City's ADA paratransit service and Benton County's Special Transportation Fund (STF) service. He said the differentiation between the two services can be confusing because some individuals fall into both categories and some riders who do not qualify for ADA paratransit service may still qualify for STF service. CTS staff works closely with County staff to coordinate service so that transit is as seamless as possible for customers.

Chair Lowry said he attended a Salem meeting in October where officials wanted to change the way senior/disabled funds are allocated and many at that meeting objected. He said 38 agencies currently receive this funding, which is determined by a specific formula. Some wanted to change that process into a more competitive formula which would be a disadvantage to smaller communities in the eastern part of the state that don't have grant writing staff. Chair Lowry noted that these are federal "pass through" funds that the State distributes.

VI. Information Sharing

Mr. Bates distributed a memo from City Finance Director Nancy Brewer (attached) regarding internal Administrative Services Charges, which are "overhead" costs charged

from one City department to another. Bates reported on the 2010/2011 Transit budget's fixed administrative charges as follows:

Risk Management	\$ 17,360
MIS	\$ 1,150
PW - facility	\$ 6,660
PW - phone	\$ 380
All other services -Finance/CMO/CAO	<u>\$116,910</u>
TOTAL	\$142,460

Commissioner Hyne asked if becoming fareless would impact these fees and Mr. Bates said it would not. While a fareless system may eliminate some current duties and save time with duties such as advertising fareless special events, it may also create new duties so there is no anticipated administrative savings associated with that change.

For informational purposes, Mr. Bates read the following e-mail sent from City Manager Jon Nelson to all City staff on December 3, 2010 which stated that the Budget Commission will be meeting on December 13th at LaSells Stewart Center to hear public input on a possible levy to support specific City services.

In response to a question, Councilor Brauner spoke further about a possible tax levy, noting it would be proposed as a general tax levy used for items that are slated to be cut per Council's decisions. But to this point, no decisions have been made about what exactly will be cut. Councilor Brauner said if Transit Sustainability Initiative Funding (SIF) votes at the December 20th City Council meeting mirror those of the December 6th meeting, the ordinance will pass 5 to 4. If passed, opponents of the fee will have 30 days (from December 20th to January 19th) to collect the signatures needed (approximately 2,000 in this case) to place the issue on a May ballot. Barring a referendum, the Transit SIF will move forward with an implementation date of February 1, 2011.

Mr. Bates reviewed the Information Sharing Report (attached), with these additional comments:

First Student is ready to move into its new location this weekend. Unlike previously reported, buses leaving the new site will exit onto NW Reiman Avenue, turn right on 9th Street, then right on Buchanan Avenue as they head for the DTC.

CTS ridership set an all-time monthly ridership record in October with 79,562 rides, while cost per ride was \$1.61 in October, an all-time low. November's cost per ride was \$1.79, also quite low in comparison to other years.

While reviewing the paragraph addressing express routes, Chair Lowry said that he recently received a study of the transit system in Olympia, WA which may include some interesting options for CACOT to consider, such as frequent routes near the college. He will share more information once he has reviewed the entire report.

Commissioner Hyne asked if Google Transit has been updated with the two new and

one relocated stop near the DMV, and the newest CTS shelters. Mr. Bates said he will ensure the updates are made. She also asked if Google Transit has made an impact to the number of phone calls to Transit and asked how staff is advertising the service. Mr. Bates noted that calls to his office have declined with the addition of Google Transit, as have those to the First Student office. Ms. Caffey said that Google Transit is featured on several CTS web pages and has also been added to most correspondence which is sent from staff. Commissioner Hyne suggested an article in the Gazette-Times may be helpful advertising.

VII. Commission Requests and Reports

None.

VIII. Pending Items

None.

IX. Adjournment

Before the meeting adjourned, Commissioner Brauner said he was not sure at this point what his Commission assignments will be for next Council term and noted that Councilors are typically moved between Commissions. Since it was possible this would be his last CACOT meeting, he expressed his appreciation for the work the Commission has done. Commissioner Wilson noted Commissioner Brauner's good work not only as a supporter of transit, but as a City Councilor.

Commissioners Wilson and Hyne, respectively, moved and seconded that the meeting be adjourned. The motion passed unanimously.

The meeting was adjourned at 9:26 am with holiday wishes to all.

NEXT MEETING: January 12, 2011 at 8:20 am, Madison Avenue Meeting Room

MEMORANDUM

November 12, 2010

TO: Department Directors, Employees, Board and Commission Members

FROM: Nancy Brewer, Finance Director *NB*

SUBJECT: Summary of Administrative Overhead

I. Issue

Finance has been asked to summarize information about the administrative overhead for which departments are currently charged and identify issues associated with budget reductions and overhead. This review will be shared with employees, and Directors may also share with advisory board members.

II. Background

Corvallis, like all organizations, has administrative overhead for its operations. Administrative overhead is the term given to the background services that are required for the organization to function, even though the overhead functions may provide no direct service to citizens. For most overhead functions, the customer is generally considered to be "internal" to the organization; thus the use of "internal service funds" to account for the costs for overhead and "internal service charges" as the mechanism to charge using departments. A summary of the City's internal services, primary functions, and cost drivers (cost drivers are the things measured to attempt to allocate administrative overhead in a reasoned, consistent manner from year-to-year) is included as Attachment A.

Internal service functions are required for any organization to function and meet certain state/federal rules and include items such as meeting standards for financial accounting and reporting, standards of cleanliness for customers, access to communications, standards for human resources management, and organizational governance. Alternatives for providing these services are centralized support or de-centralized support. As an organization, Corvallis has determined that it makes more sense to have these services centralized in order to achieve the level of professional development and economies of scale desired. For de-centralized support, each department would either staff the services (inefficient) or contract with an outside agency to provide some of its support functions, which would also require each department to develop enough expertise to at least know if the support being provided met professional standards.

Over the years, the City has looked at whether it would be more beneficial to contract for some of the internal services. As an example, in the past, MIS, Payroll and Fleet Maintenance functions have all been examined for outside contracting. This type of analysis will continue into the future.

The cost drivers the City uses to allocate internal service costs are the same ones that an outside agency would use to develop a federally accepted cost allocation plan. The Finance Department counts FTE, payroll checks, A/P invoices, revenues, expenditures, etc. The City's internally managed cost allocation plan uses prior fiscal year audited data to develop the drivers and the future year's budget data is then allocated based on the proportion of each item counted. This has meant that there is a time lag between when a department has added a service/staff and when that department begins to pay for the administrative overhead associated with adding that service. It also means there is a time lag in making the allocation when a department cuts its budget. When this happens, the allocation bases can be modified to move to current

data rather than prior year data with the understanding that when finances improve for a given fund, there would be a faster increase in administrative overhead to match the rapid decrease.

Twenty years ago, internal service charges were paid from the Non-Departmental budget rather than the operating budget for each department. Ten years ago the organization opted to move these costs into each department's operating budget. In part, this change was made to address audit comments where for some funds, the Non-Departmental budget was higher than most departmental budgets. This change was also made so that operating cost centers that are funded through fees would reflect the complete cost of the service and not just the direct costs. For example, a private business operating a water treatment/distribution system would have to include costs for HR, Accounting, etc. in developing rates, so the City should do the same.

Over the last four completed fiscal years, the internal service providers have generally added very little to their budgets, though like all other departments, special projects have caused some fluctuation up and down. Some of the internal service departments have had escalating costs due to outside forces (i.e., federal/state/GASB changes on financial reporting have resulted in significant increases in audit costs; Council directives may increase City Manager's Office costs). Since FY 06-07, most departments have experienced changes – enhancing or reducing services, adding staff to respond to community growth, and adding services based on City Council decisions to implement something new.

Generally, new investments/services by City Councils have been placed in operating departments providing direct services versus in overhead departments. Page II-18 of the Adopted Budget document provides staffing level comparisons back to 1995-96. CMO has grown $\frac{1}{4}$ FTE in 15 years and the growth in Finance staffing has been driven by Operating department's technology needs.

III. Service Reductions

As the organization prepares to go through what are likely to be the most severe service reductions in decades, a number of questions have arisen about overhead and whether departments can reduce or eliminate their use of internal services. The short answer is that most departments cannot change their internal service charges of their own accord. Unless significant change in demand for certain services occurs (i.e., eliminate land line phones, cut vehicle fleet in half, cut custodial services), a department that offers the same services, even at a reduced level, will still need most of the internal services currently provided.

As an example, a department may look at a service package that cuts 3.0 FTE for \$165,000. The impact of that cut on the department will be significant, but 3.0 FTE is only 0.7% of the total FTE and \$165,000 is only .4% of the property tax funded budget. The reduction has not/will not reduce the work load in any of the internal service operations at any level of significance so that the internal service provider(s) can cut budgets by the same amount.

Only half of the organization's operations are currently being impacted by the service reduction scenarios. This means the other half of the organization's operations are still demanding the same level of service from the internal service providers, even as the internal service providers are cutting positions. As it is, the internal service providers are examining their budgets, as is the rest of the organization, and recommending reductions that help to meet the target for both FY 10-11 and FY 11-12.

IV. Action Requested

There is no action requested. This is information only. Staff is considering a page for the budget document that describes the overhead administrative charges in the budget.

Service	Primary Functions	Charge Driver
CMO – Governance	Provide governance for the organization (City Council); executive leadership (City Manager); records management; organizational project management (i.e., diversity, career development); city attorney contract payments.	Proportion of departmental expenditures; for CAO, level of work effort.
CMO – Human Resources	Provide for labor relations including contract negotiations, investigations, grievance; benefits administration (contract negotiation, vendor payment, facilitate employee access); application management; classification and compensation system administration; organizational training.	Proportion of FTE
CMO – Risk Management	Provide Risk Management service, including worker's comp, property and liability insurance; safety program funded from interest earnings.	A combination of exposure and experience, based on a three-year average.
Finance – Customer Service	Provide meter reading, utility bills, collection of amounts owed for the water, wastewater, storm water, and transportation maintenance fees.	Proportion of revenue collected for the three utilities.
Finance – Admin	Provide departmental executive leadership; organizational financial management direction	Proportion of expenditures
Finance – Budget	Provide direction for annual budget development; analyze proposals; prepare the annual budget and ensure legal requirements are met for adoption; coordinate the organization's performance measurement efforts.	Proportion of expenditures
Finance – Payroll	Provide monthly payroll processing for all employees; ensure payroll meets state and federal standard; file tax information as required; meet PERS reporting requirements.	Number of payroll checks – manual checks are weighted at four times the normal payroll check due to the extra workload.
Finance – Accounting	Provide general ledger accounting services; complete the Comprehensive Annual Financial Report to meet federal/state reporting requirements; coordinate the annual audit; ensure the organization has in place appropriate internal control procedures to allow the City to maintain excellent financial standards.	Proportion of expenditures
Finance – A/P	Provide payment processing services for vendors doing business with the City.	Number of invoices
Finance – Treasury	Provide cash receipting, banking, accounts receivable, debt, and investment services; maintain the City's lien docket to ensure collection of monies owed to the City.	Proportion of revenues.
Finance – MIS	Provide network connectivity, office, and productivity software (i.e., word processing, e-mail) for the organization; provide technical support to departments for management/ administration of the various database systems the City uses for daily business; secure electronic records/systems; disaster back-up/recovery.	Weighted proportion of users (based on e-mail accounts) and computers attached to the network.
PW – Fleet	Provide garage and trained mechanics to maintain the City's fleet; support departments in the acquisition/equipping of new rolling stock. Costs in Fleet, but not allocated, include new vehicle set-up and fuel purchases, which are both billed separately.	Proportion of three-year average of actual costs on the current fleet.
PW – Facility	Provide routine maintenance for City facilities; provide a central billing location for utility and similar services for City facilities with more than one department; planning services for major facility projects.	Prior year level of effort, plus special project direct costs; where a project benefits multiple departments, allocation is based on square footage used by each department.
PW – Telephone	Provide the central land line telephone service for the City.	Cost per telephone device.
PW – Sustainability	Provide central coordination of sustainability efforts for the organization, including greenhouse gas inventory, annual reporting, and department focused efforts.	Was based on FTE; will be based on proportion of operating expenditures.