

DRAFT MINUTES

**HARTLINE STUDY GROUP
Finance Subcommittee Meeting
Friday, December 9, 2005, 9:00 AM
601 E. Kennedy Blvd., 26th floor, Conference Room B
Tampa, FL 33602**

Subcommittee Members Present (3)

Kathy Harris, chair
Brian Delamer
Barbara Merritt

Staff Members Present

John Dausman, Study Group Consultant
Christine Beck, County Atty's Office
Ned Baier, HC PIng & Growth Mgmt
Eric Johnson, HC Mgt. & Budget
Beth Alden, Planning Commission
Debbie Ward, HARTline
Mary Shavalier, HARTline

Others Members Present (1)

Norbert Gobin

Subcommittee Members Absent (0)

none

Others Present

Gloria Mills
Pierre Mathurin
Shirley Vereen
Ralph Hughes

Bill Schnell
Ted Hull
Carl Warren

Welcome and Introductions

Kathy Harris, finance subcommittee chair, called the meeting to order at about 9:05am. After introducing herself, she asked each Study Group member to introduce themselves.

Mission Statements

Barbara Merritt read the HARTline Study Group mission statement.

Norbert Gobin read the HARTline mission statement.

More Introductions

Kathy Harris invited the remaining attendees (public and staff) to sit around the conference tables and to introduce themselves. She announced that she would run the meeting in an informal manner and encourage dialog between Study Group members, staff and public throughout the meeting as appropriate.

HARTline Authorizing Legislation and History

Christine Beck, Hillsborough County Managing Attorney, reviewed the legal history of HARTline starting with a state-wide general act passed in 1971 that authorized the formation of transit authorities throughout the state. She discussed the Nov. 4, 1980 referendum passed by City of Tampa and

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unincorporated county residents that provided ½ mill of ad valorem funding to the newly formed transit agency. Ms. Beck provided a handout of HARTline Board of Director membership since 1980. She commented that the County gained seats on HARTline's Board in 1987, 1995 and 2005 because of population growth.

Kathy Harris asked for an analysis of the percentage of seats held by City of Tampa residents over time.

John Dausman responded that he would research this question.

Ms. Harris also asked if there was any bus service to the unincorporated area before 1980.

Barbara Merritt responded that limited service on the fringes of the city existed. She personally used a bus that served Eastlake Mall (now Netpark) in the county.

Gloria Mills added that she was aware of service to the Progress Village area.

Pierre Mathurin added that there was a Town N' Country bus as well.

Brian Delamer arrived at the meeting at about 9:25 AM.

HARTline Budget

Debbie Ward, HARTline Finance GM, reviewed material she provided in a handout. She reviewed sources of revenue and explained the recent change in funding strategy to forego city and county subsidy funding except for specific circumstances. She reviewed HARTline's major expense categories.

Bill Schnell asked what the breakout is between union and non-union labor expenses.

Ms. Ward responded that she did not have that information at hand. She continued with an explanation of the self insurance program and related catastrophic insurance coverage. She also reviewed a separate salary and fringe cost handout. She discussed a fare chart that showed increased fares that are proposed to go into effect in January 2006. She also mentioned the transit information that can be located through the American Public Transit Association (APTA) website.

Ms. Ward concluded her presentation with a brief description of HART's budget preparation process. She commented that this process had recently changed to a zero-based budgeting model based on department director input and that it covered a two year period similar to the process the county uses.

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Barbara Merritt asked for a description of HARTline's block grant funding.

Debbie Ward responded with a description of the federal grant funding that HARTline receives under the "5307" program. She commented that these funds are designated primarily for capital projects but the federal government allows specific categories of expenses to be considered capital.

Mary Shavalier added that the annual 5307 funding is split between Hillsborough, Pinellas and Pasco counties. Hillsborough's share is about \$8.7 million per year currently. She also explained that HARTline receives about \$3.1 million annually in operating funding from the state government.

Barbara Merritt asked for an explanation of the types of expenses that are included in the "marketing" expense category shown on the handout.

Debbie Ward responded that HARTline's marketing expenses included TV ads, radio ads, printing of schedules and printing of brochures, as examples. She added that the printing of route schedules is a significant portion of marketing expenses.

Gloria Mills said she had heard that HARTline was recently required to return some money related to federal grant authorizing legislation.

Mary Shavalier responded that federal legislation continuing the block grant program had recently been reauthorized but that she was not aware of any funds to be returned.

Debbie Ward commented that Ms. Mills might be thinking of a different funding program called CMAQ (Congestion Mitigation Air Quality). She added that Hillsborough County recently lost its eligibility for this funding source because the county's air quality was designated within attainment guidelines.

Beth Alden, Planning Commission staff, described the projects that lost funding when CMAQ eligibility was lost. For HARTline these were mostly bus acquisition and streetcar extension funds.

Norbert Gobin asked why HARTline does not offer a discounted fare for disabled patrons who want to use express buses. He noted that Pinellas transit offers a discount. He referred to a document that indicated Commissioner Blair had asked about this about a year ago during a HARTline Board meeting.

Debbie Ward responded that the Pinellas transit discount applies to mid-day trips, not peak hour commuter trips. She added that federal law does not require peak hour discounts.

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Bill Schnell commented on the potential duplication of services between the County's Sunshine Line service and HARTline's paratransit service. He suggested that HARTline originally proposed the separate service (from the county's service) for the purpose of transferring patrons to the closest bus line but that, in reality, the service was primarily door-to-door which duplicates the Sunshine Line.

Debbie Ward responded that the Sunshine Line service is much broader in scope than HARTline's paratransit service.

Mary Shavalier added that some patrons cannot ride a bus at all because of physical or mental condition. She suggested that HARTline cannot always utilize other services because of federal requirements on what services HART must provide.

Bill Schell responded that many transit agencies in the US contract out their paratransit service.

Carl Warren recommended concentrating on improving efficiency at HARTline. He commented that there has been a decrease in HARTline's quality of service at the same time costs are rising. He added that he still sees empty buses even at peak. He recommended service delivery changes that provide different service at peak times than off-peak times.

Brian Delamer asked where private sector funds are shown on the revenue data and charts.

Debbie Ward responded that they are included in the "Other System Revenue" category.

Mr. Delamer asked if HARTline was actively seeking private revenues.

Mary Shavalier described the public outreach meetings that HARTline is currently conducting for its 2016 Vision Plan effort. She said that staff is seeking input during that project regarding new revenue sources. She also referred to a successful program in Chattanooga to fund downtown circulation buses with remote parking facility revenues. She said this supports every-five-minute service in downtown Chattanooga.

Brian Delamer asked if TV and radio ads could be combined with surrounding transit agencies because they broadcast in the same market.

Debbie Ward responded that there is a joint effort with Pinellas County's transit agency in development.

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Brian Delamer recommended emphasis on better communication (advertising) to reach visitors, especially at the airport.

Ralph Hughes asked about the total size of HARTline's annual budget and the portion of that paid by patrons.

Debbie Ward responded that the total budget was about \$66 million and that fares are about \$10.4 million.

Ralph Hughes commented on the size of the subsidy and asked for a breakdown of employee count by hourly, especially drivers, versus salary positions.

Debbie Ward responded she would have to provide the exact numbers later but as an example there are slightly more than 300 bus drivers out of a total work force of slightly more than 600.

Mr. Hughes asked if the HART staff present were aware of any internal discussions to consider any functions or services for privatization.

Debbie Ward responded that she had not been involved in any such discussions.

Hillsborough County Subsidy Funding to HARTline

Eric Johnson, Hillsborough County Management and Budget Director, distributed a handout and described the county's subsidy funding to HARTline over the last ten years. He noted that the handout does not include the approximate \$120,000 annual cost of a county program to sell bus passes at a 75 percent discount to employees.

Mr. Johnson explained that the county historically considered transit to be a municipal service, not a social service. He added that the Hillsborough commission provides municipal government services to more than 700,000 people. He commented that HARTline does not provide county wide service which is an obstacle in using county-wide tax dollars to support transit since not all residents would be eligible to use the service.

Mr. Johnson highlighted the trend in increased subsidy payments to HARTline between 2002 and 2005. He noted that ad valorem growth during that period was well above historical averages, but HART management did not reduce subsidy requests.

Mr. Johnson concluded his presentation with a description of a change in county subsidy funding starting with the fiscal 2006 budget. He noted that the county eliminated subsidy funding for operations. He added that the county is still assisting with capital funds to build a transit center in the unincorporated county near Sheldon and Waters.

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Ned Baier provided background information on how the 2000-2001 county subsidy contribution was part of an agreement between HARTline, City of Tampa, Hillsborough County and Florida Department of Transportation to help HARTline cope with a budget deficit after a gas tax proposal failed.

Eric Johnson commented that ad valorem growth between 1999 and 2001 was well above average. He disagreed that revenue growth was inadequate during 2000-2001.

Ralph Hughes questioned whether unincorporated funds could be used to support transit operations not directly tied to the unincorporated area.

Eric Johnson replied that use of unincorporated tax funds must benefit the residents of the unincorporated area, but the projects supported do not have to physically be in the unincorporated area.

Mr. Hughes asked if the county had been involved in any privatization discussions involving HARTline.

Mr. Johnson responded that he was not aware of any such discussions.

Bill Schnell asked if the county was at any financial risk in the future related to the electric streetcar project.

Eric Johnson responded that he was not aware of any legal obligation or document that would require the County to provide funding to HARTline in total or any of its operations. He noted that HARTline is an independent taxing district. The County's subsidy contributions are voluntary based on county commission budget decisions.

Pierre Mathurin commented that the gas tax discussion occurred in 1996, not 1999. He also noted two corrections to his handout earlier in the meeting.

Barbara Merritt commented that she was not seeing any of HARTline's new buses being deployed in east county. She also noted that substantial amounts are shown on HARTline's capital budget for fleet expansion.

Mary Shavalier responded that two deliveries of new buses are scheduled for this year and that they will be deployed throughout HART's service area.

Debbie Ward added that the category called fleet expansion also includes amounts budgeted for shelters and amenities.

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Kathy Harris asked if the county requires a match when making subsidy contributions. She also asked when subsidy requests are made.

Eric Johnson replied that a match was only required in the 1999-2001 tri-party agreement. HARTline makes its requests as part of the County's budget process.

Debbie Ward added that HARTline is sensitive to seeking contributions from both City of Tampa and Hillsborough County whenever making funding requests.

Kathy Harris asked that HARTline be asked to provide a formal answer to the following questions:

1. What does HARTline view as "county" service and "city" service?
2. What is HART's perspective on return-on-investment and equity in distribution of services versus level of demand?
3. Who does HART see as its customer?
4. Where does management spend its time?
5. What does HART view as its core business?
6. What are HART's other lines of business?
7. What parts can be privatized?
8. What are HARTline's plans to provide for growth?

Ms. Harris asked that the county also be asked to respond to the first question (what constitutes "county" service). She also commented that there may be both tangible services and intangible services. She suggested that HARTline has two customer groups – patrons and funders (taxpayers). She also commented that privatization is not a new concept in transit. She expressed concern about the lack of growth forecast in HART's Transit Development Plan beyond 2007.

Ms. Harris suggested that the finance subcommittee members create a framework as to where it is headed.

Brian Delamer commented on an item regarding HARTline's media contract that was noted for follow up in a recent HARTline audit prepared by the Hillsborough Clerk of Circuit Court. He requested a copy of the follow up action promised by management in the report.

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Mr. Delamer referred to prior comments about 50 percent of the employees being drivers. He suggested that the maintenance and support (administrative) portions of HARTline must be large. He requested to a copy of management's follow up report on a finding in the Clerk's audit regarding parts efficiencies.

Mr. Delamer asked whether the change in the county's subsidy funding occurred because of a philosophy decision by the County or because HARTline did not ask for the subsidy.

Eric Johnson replied that HARTline did not seek any operating subsidy in its initial budget submittal. A request to fund specific operations was submitted later but that request was not recommended by county staff.

Mr. Delamer referred to some information on mid-sized cities in the handout from Pierre Mathurin. He asked if privatized systems had norms for items like fare recovery ratio.

Mary Shavalier responded that she worked for a successful private suburban transit provider (Cobb County near Atlanta). She cautioned that reported statistics are difficult to compare because, as an example, the Cobb County provider was able to take advantage of services provided by the county such as purchasing services. Therefore expense percentages may not reflect the true situation without verifying what the data represents.

Norbert Gobin commented that funding methods have a big impact on what services are available in a community. He noted that Charlotte, NC has sales tax revenue that provides large amounts to transit.

Kathy Harris recommended that all funding options be considered to provide long term flexibility including TIF's, property taxes, private funding, sales taxes and gas taxes.

Barbara Merritt asked how HART is integrated into the Long Range Transportation Plan (LRTP).

Beth Alden described the process of developing and updating the LRTP. She referred to the unfunded needs list which includes transit needs.

Kathy Harris requested that Study Group members receive a copy of the current LRTP unfunded needs list for transit.

Brian Delamer requested that the unfunded needs list be in priority order if available.

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Norbert Gobin commented that HARTline quickly removes information from their web site regarding materials for directors and public meetings. He recommended that access to these materials be available through the web site. He also requested clarification on how the county bus pass program works for employees.

Ned Baier clarified that the county subsidy lowers the cost of passes to employees but HARTline only gets its normal pass price.

Final Public Comment

Kathy Harris called for any final public comment before adjourning the meeting.

Ralph Hughes commented on current population of growth of 2 percent and the current high growth in ad valorem receipts. He cautioned that the economy will determine future growth rates. He added that some public services do not lend themselves to privatization. He also asked HARTline to state (at a future meeting) its actual cost per hour of providing service. He had heard numbers from \$57 per hour on up. He reported that Plant City provides bus service at \$40 per hour. He recommended that the Study Group recommend that the county commission seek bids from the private sector for any and all HARTline services.

Carl Warren recommended emphasis on reducing costs and achieving savings without reducing the quality of service through reductions-in-force (RIFs), reorganization, and relocation of administration staff to less costly office space. He also requested a review of the county's Sunshine Line service.

Bill Schnell commented that HARTline's staffing levels indicated on its web site are not consistent with budget documents. He commented on information he received from Delaware Transit regarding staff levels when Ray Miller was its director. He recommended that the Study Group look into travel expenses and legal fees at HARTline which he stated were excessive.

Kathy Harris thanked everyone for their contributions today and commented on the big job ahead.

Ms. Harris adjourned the meeting at about 11:05 AM.