

**PVTA
Pioneer
Valley
Transit
Authority**

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**MINUTES OF PVTA'S
FINANCE & AUDIT COMMITTEE MEETING
March 28, 2016**

The Finance and Audit Committee meeting of the Pioneer Valley Transit Authority was held on Monday, March 28, 2016 at 10:00 A.M. at the PVTA.

PRESENT:

Doug Slaughter, Amherst; Marilyn Ishler, South Hadley; Stephen Huntley, Chicopee;

Other's Present: Patty O'Leary, PVTA; Brandy Lamour, PVTA;

NOT PRESENT:

David Moskin, Hadley; Brian O'Leary, Belchertown; Patrick Burke, Rider Representative

Steve Huntley, Chairman of the Finance & Audit Committee stated that the committee does not have a quorum and will meet for informational purposes.

FY 16 Budget to Actual Report.

Chief Financial Officer, Patty O'Leary reported the following on PVTA's FY16 Budget to Actual:

Through the first five months both total revenue and expenses are virtually on budget.

Farebox revenue is virtually even with the budget and is projected to remain that way for the fiscal year.

Advertising revenue is projected to come in at 5% higher than budget or \$17K as sales have increased and a bus wrap was sold this year generating revenue of \$10,800 by year end.

Subrogation insurance recoveries are expected to come in over budget by almost \$50K as the vigorous pursuit of subrogation claims through the use of correspondence mailed to the at-fault insurance carrier pursuant to Massachusetts General Law, Chapter 93A practices, has started to show positive results. This system was put into place last year with the hopes of increased recoveries and after an expected delay it appears to be working.

Funds received from the Hampden County Sheriff's Office \$119,699 for Stonybrook service and the remaining funding for the Travel Training Grant \$9,818 are included here. This line item will be very close to budget at year end. PVTA expected to receive \$118,525 for the Stonybrook Route but negotiated a slightly higher rate after analyzing the cost once the budget was completed. The Travel Training Grant was expected to be completed by the end for FY15 but extended one month into FY16.

Planning, preventive maintenance, and ADA operating funds will be received under this line item. Currently planning funds are running under budget for the first quarter due to timing of invoices. The planning subsidy is expected to stay on budget. PVTA expects to draw down slightly more in federal funding to account for the decrease in State Contract Assistance received after the budget was produced and the Fiscal Year began.

After PVTA's budget was produced, the amount of State Contract Assistance approved in the State budget was \$125,620 shorter than what MassDOT had estimated. This line item will run under budget all fiscal year.

Expenses:

The price of fuel has lead to great savings for both the paratransit and fixed route services, recent trends are indicating this is a temporary situation and PVTA must be mindful of future rises in diesel and gasoline.

The Administration expenditures are estimated to come in under budget by approximately 5% or \$236K.

Line items in this category include: Legal, Planning, Marketing, Printing, and auditing. Most of the savings for this category (\$175K) are due to the delay in the Smart Card installation and the associated marketing campaign. It is expected that these funds will be spent by year end. Legal services are projected to fall under budget by \$28K this fiscal year as this area has been relatively quiet thus far. All other line items within this category are close to the original budget.

PVTA borrowed \$10.8 million dollars, instead of the \$13 million that was budgeted due to continued cash flow efficiencies with forward funding and monthly receipts of local assessments. Interest savings by year end over budget are estimated to be \$27,601.

This line item is expected to be over budget by year end as increasing support has been necessary primarily due to the implementation of the Customer Service POS system.

Allocated Insurance is over budget as a large claim was settled out of court this year. That claim was expected to go to court and not be settled until the FY 17 budget year. This claim involved a collision between a PVTA paratransit van and a motorcycle containing the motorcycle operator and his 12 year old daughter. The minor was thrown from the motorcycle immediately following the collision and slid down the roadway. The combined demands for settlement made by the claimants' attorney totaled over \$1 Million. We settled for \$338,513.89 (including all legal bills). This claim has been paid out of our self insured retention and comes directly out of our operating dollars. We directed our defense counsel to file a "friendly suit" to protect the interests of PVTA in the future because the daughter is a minor. We have obtained a court order approving the settlement for the minor to prevent her from filing any litigation against the PVTA in the future. Just recently another sever accident happened at the Holyoke Mall where

a bus ran into a cement pole and two people were injured. A fairly sizeable reserve had to be set for this accident which drove the Insurance reserve back up.

Paratransit ridership is up 9.5% through January of 2016. Ridership continued to climb in February to 9.8%. Sunday Trips, which cost PVTA a rate of \$28.00 per trip, has risen even faster at an average of 14% this year.

The amount of money spent on off-peak service was higher than projected over the first seven months. PVTA paid for 1,716 more off-peak trips or \$48K than budgeted. Assuming that trend continues it is estimated that this part of the paratransit budget will actually run over by \$84K. Two amendments were negotiated with the Hulmes contract this year, one to add \$55K for additional dispatching capabilities to assist with performance issues, and another to add \$51K to compensate for the minimum wage requirement passed by the Commonwealth of Massachusetts in June of 2014. Deductions taken for performance related issues, estimated at -\$25K by year end help reduce the overall overage paid to the contractor.

Fuel is running under budget due to the drop in fuel prices. The budgeted price per gallon was \$3.15. For the first seven months, PVTA has paid an average of \$1.68 per gallon for over 275,000 gallons of gasoline. Recent trends in the market are showing indications that those prices are beginning to inch upwards. Additionally, PVTA has been purchasing more and more gallons of fuel as the paratransit ridership and miles has continued to increase.

For the remainder of the year, with recent trends heading up, the projected average per price of gasoline is \$1.95. Every \$0.10 cents per gallon fluctuation means a \$42,000 variance in this budget.

Maintenance Equipment and Miscellaneous is projected to come in slightly under budget. The age of the fleet has attributed to this. This line item is offset by a credit to the SATCO subsidy.

Allocated Insurance is over budget as a large claim was settled out of court this year. That claim was expected to go to court and not be settled until the FY 17 budget year. The combined demands for settlement made by the claimants' attorney totaled over \$1 Million. We settled for \$338,513.89. This claim has been paid out of our self insured retention and comes directly out of our operating dollars.

Fixed Route Service:

Diesel fuel was budgeted at \$2.45 per gallon for FY 16. PVTA has also locked in all of FY17 now, the first 9 months for \$1.82 per gallon and the last 3 months for \$1.32 per gallon. With over 3 million gallons purchased on an annual basis, this continues to be one of our most proactive categories of savings.

SATCO/VATCO savings projected through the end of the year as follows:

PVTA renegotiated the First Transit Management structure and rate after the budget was approved. First Transit now supplies PVTA with a one person management team rather than a 2 person team. PVTA reduced the fee for this service by \$121,583. This savings will be reduced by \$57K in FY 16 and \$91K in FY17 with the addition of an Assistant Director of Operations for SATCO.

Maintenance labor is expected to come in under budget by \$50K as there was a delay in hiring new staff. There has also been a delay in hiring operators therefore savings in medical insurance (offset by overtime

pay) of \$100K is expected by year end. The balance of the savings at SATCO is the new service operating more efficiently than projected (approximately \$100K).

Materials and supply expense is under budget by \$97K. The new buses in the fleet continue to cost much less than expected.

All other SATCO line items are close to budget.

UMTS is projected to be over budget by \$118,882. Diesel fuel and equipment and maintenance paid for directly by PVTA on behalf of UMTS are expected to come in under budget by \$74K, for a net overage of \$44,882. Prior to the final budget PVTA will have meetings with the UMTS staff to arrive at a final projection that meets the original budget.

FY 17 Draft Budget Report.

Chief Financial Officer, Patty O’Leary reported the following on PVTA’s FY17 Draft Budget Report:

The following assumptions were made in this budget:

REVENUE

- Farebox Revenue – Minor Increase due to projected increases in School contracts per CPI.
- Advertising – Budgeted to increase slightly given the past 3 years history, larger fleet, and visibility of wrapped buses.
- Capital Grant Reimbursement – There are no more New Freedom or JARC grants available, the only funding here is for the Stonybrook route.
- Federal Grants – Preventive Maintenance, ADA, and Planning funds. Any funds used here to offset operations, is lost in funding PVTA’s State of Good Repair Capital Program plus the 20% match that Mass DOT would have given. For example, having to use \$163,977 more dollars federal grant funds amounts to a loss of \$204,971 in Capital asset funding. This funding source has been maxed out in FY 2017 due to a decrease in State Contract Assistance.
- Local Assessments increase 2.5% per year increase over the prior year plus 27% of the any new service costs.
- State Contract Assistance – Decreased by \$574,511 to FY 2015 level per contract received on March 16, 2016. It is hopeful that the legislature will override this and PVTA will receive a 2.5% increase.

Direct EXPENSES

- Union Station is expected to open on January 1, 2017. There are many costs associated with this opening, some one time expenditures, some will be carried forward. There are 2 separate line items, one under Administration, and one under SATCO/VATCO in the budget for the Union Station expenditures. These expenditures are very fluid and expected to be fine tuned over the next 2 months prior to the final budget. A separate worksheet is provided detailing those expenditures. The total cost for 6 months in FY 17 is \$404,125. Savings of \$148,970 in the Administration budget (Rent/Janitorial) will offset this expense in FY 17.
- SATCO/VATCO labor – Actual projections were made based on obligations of the recently settled collective bargaining agreements which now extends at SATCo and VATCo to 06/30/2018 and 12/31/2018 respectively.
- SATCO/VATCO Diesel Fuel – For the first time in history, fuel requirement exceeds 1 million gallons per year (averaged 840,000 gallons prior to the new service implementations). However the recent decline in the market price of fuel afforded PVRTA the opportunity to lock in lower fuel at \$1.82 per gallon for the first 9 months of FY 17 and \$1.32 for the last 3 months. This will actually reduce the cost of the FY 16 projection by \$600,000.
- SATCO/VATCO – Union Station cost added to this budget include \$198,000. A separate detailed worksheet is attached.
- UMASS – Overall budget is 1.3% higher than FY 16 despite a 3.4% increase in the subsidy projected to be paid to UMTS for operations. This is due to the fuel savings as PVRTA supplies the diesel to UMTS and purchases it through the same bid which it uses to supply SATCO/VATCO. Savings of \$66,000 are expected in the next budget year.
- Allocated ITS Support – ITS Operating expenditures have increased as fewer projects are able to be capitalized. For budget Year. FY 17 ITS expenses are allocated as follows: Fixed Route: \$273,521, Paratransit: \$82,431 and Administration \$18,734.
- Allocated Insurance – This line item is much reduced in FY 17 as case with a large reserve was settled in FY 16. The funds were paid out and the reserve was lowered.
- Paratransit – estimates were made based on the contract awarded to Hulmes Transportation Services., Inc. which increased 3% for Peak service days and another 14% for an expected increase in off peak trips due to recent trends. The FY 16 budget is predicting 425,000 gallons at \$2.25 per gallon.
- Administration – Except for the categories listed here, a 3% increase based on historical trends is projected for the FY 17 line items.

- Wages for current staff are estimated to increase by 3%; overall budget will increase 5% over projection due to new staff added in FY 16, and 2 staff upgrades. Fringes are affected by Wages.
- Services will be reduced in FY 17 as the BRT study will be completed (\$160K). Only the PVPC contractual amounts are budgeted here. Offset by this is \$120,000 put in the marketing budget for a SMART CARD kickoff campaign.
- Rent/Janitorial line will be reduced by \$143K as the move to Union Station will take place on January 1. However, the increase in costs at Union Station for the remainder of the year is projected to be \$206,125 for the Administration.
- ITS Operating expenditures have increased as fewer projects are able to be capitalized. For budget year FY 16, ITS expenses are allocated as follows: Fixed Route: \$273,521, Paratransit: \$82,431 and Administration \$18, 7354.

A TRUE RECORD

ATTEST:


BRANDY LAMOUR

Documents filed with Finance Committee Meeting packet:

- FY16 Budget to Actual Report
- FY17 Draft Budget Report
- September 23, 2015 Finance & Audit Committee Meeting Minutes

MINUTES OF THIS MEETING WERE APPROVED: May 23, 2016