
**MINUTES OF PVTA'S
FINANCE & AUDIT COMMITTEE MEETING
January 24, 2018**

1. CALL TO ORDER

The Finance and Audit Committee meeting of the Pioneer Valley Transit Authority was held on Wednesday, January 24, 2018 at 11:00 A.M. at the Pioneer Valley Transit Authority Administration Office located at 2808 Main Street in Springfield, MA.

PRESENT:

Members: Doug Slaughter, Amherst; Marilyn Ishler, South Hadley; Brian O'Leary, Belchertown; Stephen Huntley, Chicopee;

NOT PRESENT:

David Moskin, Hadley;

Call to Order: Steve Huntley Chairman of the Finance & Audit Committee stated that the committee has a quorum and called the meeting to order at 11:05 A.M.

2. PUBLIC COMMENTS

Chairman Huntley opened the floor for public comments. No Public Comments were made.

3. APPROVAL OF MINUTES OF FINANCE & AUDIT COMMITTEE MEETING OF NOVEMBER 13, 2017

Chairman Huntley asked for a motion from the Finance & Audit Committee to approve the meeting minutes of November 13, 2017.

Motion: Moved and seconded (O'Leary/Slaughter) to approve minutes from PVTA's Finance & Audit Committee meeting of November 13, 2017.

Chairman Huntley asked if there was any discussion, hearing none, asked for all those in favor to say aye.

Motion passed by a unanimous vote.

4. BUDGET TO ACTUAL REPORT

Chief Financial Officer, Patricia O'Leary reported the following:

Farebox Revenue is under budget by \$182,042 or 6%. This corresponds with the drop-in ridership for the same time which is down 6% for the Fixed Route service and 1% for paratransit.

Advertising revenue is higher than projected through the first quarter by \$21,022 or 18%.

Both interest income and insurance recoveries are under budget by \$26,097. Interest is due to the drop in State Contract Assistance (SCA) and less cash in the investment account in the first quarter when compared to last year and what was projected. Subrogation payments are due to timing and are expected to be on budget by year end.

Capital Grant Reimbursement is projected to exceed the budget in this revenue category by \$19,571. PVTA was awarded a new mobility contract beginning in January of 2018 which will amount to an extra \$39,037 in the budget this year than was unexpected. To date PVTA is under budget by \$186,246 for the following reasons:

- The current budgeted mobility grant has not been expensed yet but an extension has been granted to expend it by April 30th so that will be on budget by year end.
- The CMAQ grant has yet to be officially granted to PVTA so no funds have been drawn down.
- The Stonybrook service was reduced after the budget was produced and PVTA will receive only \$104,065 for the service.

Federal Operating Subsidy is close to budget, the only variance is timing of PVPC invoices. At year end this category will be adjusted to offset any deficit (surplus). Any funds not used for operating will be used to offset capital asset purchases (and alternately any funds needed for operating will be taken from capital asset purchases).

State Contract Assistance & Local Assessments are on budget.

The following are the primary variances to the administration expenses for the first quarter:

Wages & Fringe; the Assistant to the CFO, the Procurement Officer, Customer Service Specialist, and 3 weeks of the Director of Transit Operations and Planning dollars are not included in this projection. A savings of \$34,202 comes from a negotiated settlement made with five long term employees. Back in 2008 PVTA changed its sick time policy by putting a cap on sick time. The Administrator at that time restructured this benefit and in doing so, "bought out" the sick time of employees who were over the cap at that time. PVTA has carried a liability of \$68,405 on the books for years. This fiscal year PVTA negotiated a 50% "buyback" and all five recipients accepted the offer. Therefore \$34,202 was paid out of the liability account and the other \$34,202 was removed from the balance sheet and credited against the payroll expense where it originally came from.

Services; line items in this category include: legal, planning, marketing, printing, and auditing. In the first five months the planning was under budget by \$48,000 due to timing of invoicing. It is expected that all the planning funds will be expended by year end. Additionally, outside services are down by \$30,000 as the \$100,000 budgeted for Robbins Road improvements had not begun as planned in the beginning of the year. That is also expected to be all spent by year end. Marketing is down by almost \$18,000 over what was expected due to a delay in the roll out of the smart card. All other service line items are close to budget.

Paratransit services are less than 2% off budget for the 1st five months. The category of biggest concern is fuel.

Contractor Payments; Services provided by Hulmes was slightly over budget. Off peak trips were down by 169 trips, saving \$4,723, however, Hulmes operated one extra day in both October and November than was budgeted causing an overage of \$40,584. The Williamsburg COA was over budget for the 1st quarter by \$465, but it is expected they will be on budget by year end as they carry less passengers in the winter.

The Tri-Town Pilot Program was budgeted to start on July 1st, but did not start until September 11th.

Equipment and Maintenance of our van fleet was close to budget.

Fuel is running over budget due to increased gasoline fuel prices and higher usage. The price per gallon averaged over the first 5 months was \$2.03, which is 8-cents more per gallon than budgeted. Additionally, 10,145 more fuel was used as compared to last year at this time. The budgeted paratransit fuel gallons for FY 18 was based on the prior 2-year usage of 415,000 gallons. The pace so far, this year will project those gallons to be 439,349. This increase at the budgeted rate of \$1.95 would cause a budget overage of \$47,481. When combined with rising fuel prices this increase could be much larger by year end. Every 5-cent increase in fuel prices amounts to a \$22,000 increase in the budget at this usage rate. The FY 18 five month usage is the highest since tracking began in FY 2010.

Fixed Route service saw savings of 5% over budget for the first quarter.

The shuttle program is over budget primarily due to maintenance on the vehicles, which are aging and scheduled to be replaced this year. Additionally, gasoline spent on the shuttle program is slightly over budget due to rising prices.

SATCO/VATCO; Significant savings have accrued due to the suspension of new driver training, pending the outcome of service reductions. Service reductions implemented thus far have shown additional efficiencies relieving some of the capacity constraints that have existed which caused overtime in the past and at budget time. More efficient run cuts were created than predicted, given the final service changes.

UMTS; September and October operator labor was much higher than expected upon budget submission by UMTS causing \$60,000 of this overage in labor. November was over in labor by another 8,000. The balance of the overage was due to the timing of the University overhead fee paid by UMTS to the University. PVTA only pays UMTS the approved budget, therefore by year end this variance will be zero.

Diesel fuel was budgeted at \$1.86 per gallon for diesel fuel in FY 18. A total of 1,257,176 gallons was budgeted for. A reduction was not taken for the electric buses as too much was unknown at budget time. For the first five months diesel usage is down, primarily at SATCO/VATCO and a savings of 23,867 gallons has been realized. Service changes after the budget was produced, i.e. Holyoke Public School trippers reduced by half, were a primary reason for this, as well as three months of service reductions. Propulsion Power has cost PVTA \$8,283 in the first five months of FY 18 for the electric buses. This usage is expected to increase as the meter at Union Station appears to have been installed incorrectly. Overall savings for this line item for the 1st quarter is \$44,393.

PVTA direct payments include utilities, security, miscellaneous equipment for cable, and armored car service all paid directly by PVTA are included here. This category is under budget through the first quarter by \$3,434 but is expected to be on budget by year end.

ITS support budgeted and allocated to paratransit, fixed route, and administration at year end is under budget due to an intern that resigned after the budget was produced. That intern has not been replaced, saving \$29,033 in the first five months, offset by an overage of \$20,451 for using other IT professionals in his place. The radio tower rental for Mt. Tom increased annually by \$1,907.

Allocated Insurance; a large claim was settled in the first quarter of the year which has thrown the budget into an overage situation. This claim could have been much costlier had it gone to court, and was settled under the

reserve that was set. This category will be watched closely during the year and if necessary the \$300,000 payment will be moved from the expense and paid for out of the current reserves. Given the fact that we had to reduce the budgeted reserve to balance this budget, a decision on whether to use that will be made at year end when the final numbers are known for the entire PVTA budget.

Chairman Huntley asked for a motion from the Finance & Audit Committee to accept the Budget to Actual Report.

MOTION: Moved and seconded (Ishler/O’Leary) to accept the Budget to Actual Report.

Chairman Huntley asked if there was any discussion. Hearing none; asked all those in favor to say aye.

Motion Passed unanimously.

5. FARE INCREASE DISCUSSION

David Elvin from the Pioneer Valley Planning Commission gave a presentation on PVTA’s fare increase proposals and stated that PVTA is looking for a recommendation on a proposal to bring to the Board and go out to public hearings with.

The first chart presented shows the fare type, existing fare and three fare increase proposals for both fixed route and paratransit, increasing fares by 20%, 25% and 50%. These proposals also include charging a premium fare for paratransit trips beyond ¾ mile of a fixed route.

The second chart presented options for a multi-year fare increase for:

- 20% fare increase in FY19 then 5% per year implemented every three years
- 25% fare increase in FY19 then 5% per year implemented every three years
- 20% fare increase in FY19 then 10% per year implemented every three years
- 25% fare increase in FY19 then 10% per year implemented every three years

Chairman Huntley asked for a motion from the Finance & Audit Committee on a fare increase proposal recommendation to bring to the Board.

MOTION: Moved and seconded (Ishler/O’Leary) to accept the fare increase proposal for 25% and recommend a 25% fare increase to the full Board.

Chairman Huntley asked if there was any discussion. Hearing none; asked all those in favor to say aye.

Motion Passed unanimously.

Chairman Huntley asked for a motion from the Finance & Audit Committee on a recommendation of a multi-year fare increase proposal to bring to the Board.

MOTION: Moved and seconded (O’Leary/Ishler) to recommend a 25% fare increase in FY19 then 5% per year implemented every three years.

Chairman Huntley asked if there was any discussion. Hearing none; asked all those in favor to say aye.

Motion Passed unanimously.

6. SERVICE REDUCTION DISCUSSION

Krystal Oldread, Director of Operations and Planning gave a presentation on PVTA's proposed service changes and reported the following:

PVTA is preparing for a potential FY2019 budget shortfall of up to \$3.1 million. Due to the current uncertainty regarding the actual budget shortfall, the Authority has begun planning for possible service reductions to ensure a balanced budget.

PVTA has come up with seven scenarios that represent different approaches to reducing PVTA's operating costs in FY2019:

Scenario 1: Prioritize Geographic Coverage by Preserving Bus Routes Region wide

Scenario 2: Prioritize High Ridership Routes

Scenario 3: Reduce Non-required Van and Bus Services

Scenario 4: Reduce Off-Peak Weekend and Holiday Service

Scenario 5: Reduce Off-peak Service and Restructure Low Performing Routes and Services

Scenario 6: Prioritize Weekday Geographic Coverage and Weekend High Ridership Routes

Scenario 7: Return to FY13 Level of Service

Five of the seven proposed scenarios would likely yield enough savings to close the full \$3.1 million anticipated budget shortfall. Only Scenario 3 and 7 would not.

Scenario one prioritizes maintaining as many bus routes as possible across the entire PVTA service area, regardless of ridership and cost per rider. In order to maintain this level of service, reductions would be made to the frequencies and spans of service on Tier 1 and Tier 2 routes which operate in densely populated areas. This scenario would maintain service to suburban and rural communities, but would cause longer wait times, overcrowding, and possibly lower ridership on routes serving PVTA hubs in downtown Springfield, Chicopee, Holyoke, and at UMass-Amherst. This strategy would adversely impact approximately 2 million passenger trips per year, roughly 20% of all PVTA trips and is the second greatest rider impact of the seven scenarios presented.

Scenario two would preserve the more frequent and longer spans of service on high-ridership routes that operate in densely populated areas and carry a greater number of riders. Service reductions would be made to lower ridership routes in suburban and rural areas. There would be greater cost savings on a per passenger basis because the outlying routes that would be reduced or eliminated have significantly higher costs per passenger. This is because while the cost of operating a bus is the same for any route, there are fewer riders on outlying routes. Cutting low ridership routes yields more savings per passenger while impacting fewer overall customers. Due to racial and income segregation in our region as a whole, there are fewer riders of color and low-income on suburban routes, as compared to the urban routes. This means that reducing service on suburban and rural routes will require mitigation measures to assure that service reductions are not discriminatory.

Scenario three focuses on the potential savings if PVTA were to place greater priority on service which is federally mandated (ADA within ¼-mile of bus routes only); scale back Senior Services; and eliminate service outside the PVTA's defined service area. The possible savings, while not eliminating the budget deficit in total, would make up approximately 75% of the deficit.

Scenario four looks at reducing PVRTA services during “off-peak” times when there is less overall travel demand, typically weekends and holidays. In the past, PVRTA did not operate on Sundays. This scenario would also lessen the impact of service cuts on trips to school, work, and medical appointments, which are the three top trip purposes of PVRTA riders. The majority of weekend bus service is provided by Tier 1 and Tier 2 routes, which means that these routes would be disproportionately impacted by the reductions proposed in this scenario. Riders of ADA service for those routes would also lose service. However, there would also be some impacts to non-Tier 1 and non-Tier 2 routes, as many do not operate on Sundays. This scenario proposes reducing existing Saturday bus service to the levels that currently operate on Sundays and eliminating Sunday service system-wide.

Scenario five draws upon the measures from the other scenarios that have the greatest cost savings and fewest rider impacts. Scenario five maintains service on most routes that operate on weekends and holidays but at reduced levels on Saturdays, and some routes would cease to operate on Saturdays. Further, it avoids service reductions in communities with limited service that already experienced service reductions for FY18. Scenario five out of the seven scenarios would impact the fewest number of passenger trips while achieving the necessary savings. It optimizes cost savings, minimizes the impacts on passenger trips, and still achieves the savings needed to offset the anticipated \$3.1 million shortfall. Scenario five is currently estimated to yield up to \$3.4 million in savings, which exceeds the \$3.1 million deficit estimate by approximately \$300,000. These additional savings are important, as many of the necessary major service changes involved will disproportionately affect large proportions of minority and low-income riders. In these cases, some service will have to be added back to reduce the impacts of all cuts to comply with PVRTA’s policies for disparate and disproportionate impacts.

Scenario six was created to avoid the most severe impacts of scenarios 1 through 4. It preserves weekday service for the outlying communities and weekend service on the core urban routes.

Scenario seven was developed to evaluate the potential savings and rider impacts of eliminating the new routes and service improvements that were implemented in 2013. Many of these improvements were recommended by the Comprehensive Service Analysis (CSA). CSA recommendations implemented by PVRTA to reorganize service/routes and did not incur additional costs are not included for elimination in this scenario.

Doug Slaughter recommended breaking down each change by route per passenger to see what has the highest leverage on the budget. Also would suggest focusing on Route 33 as there is going to be a lot of passenger push back. For advice to the Board, scenario three and scenario seven would not be a good option since neither of these options generate enough savings to balance the budget deficit.

7. OTHER BUSINESS

Chief Financial Officer asked to talk about the FY19 budget and stated that this was an extremely difficult budget to put together because there are a lot of unknowns.

The Cottage Street Operations and Maintenance Facility is going to be completed earlier than anticipated and will be operational sometime in FY19. That means we will have to budget some of the year at the current location and some of the year at the new facility. Also once we move to Cottage Street we have not figured out how we are going to get the drivers to Union Station to start their shift or the cost associated with this. Other challenges include utilities for the Main Street facility once operating at Cottage Street; the MGM shuttle service for the opening of the casino; service reductions; the fuel bid since we do not know how many gallons we will use with the proposed service changes. The Union Labor Contract is being negotiated in June; the Paratransit RFP is currently being procured;

revenue from the proposed fare increase (estimating \$905,000). These are all items we need to include in the budget that we do not currently have a definitive number for.

8. ADJOURNMENT

The meeting of the PVTA Finance & Audit Committee adjourned (Marilyn/O'Leary/) at 12:01 P.M.

A TRUE RECORD

ATTEST:


BRANDY PELLETIER

Documents filed with Finance & Audit Committee Meeting packet:

- November 13, 2017 Finance & Audit Committee Meeting Minutes
- 5 Month Budget to Actual Report
- Proposed Fare Increase Presentation
- Proposed Service Changes Presentation

Minutes Approved: April 3, 2018

