
**DRAFT
MINUTES OF PVTA'S
FINANCE & AUDIT COMMITTEE MEETING
May 21, 2018**

1. CALL TO ORDER

The Finance and Audit Committee meeting of the Pioneer Valley Transit Authority was held on Monday, May 21, 2018 at 10:00 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; Stephen Huntley, Chicopee;

NOT PRESENT:

Brian O'Leary, Belchertown; David Moskin, Hadley;

Call to Order: Doug Slaughter, Chairman of the Finance & Audit Committee stated that the committee has a quorum and called the meeting to order at 10:03 A.M.

2. PUBLIC COMMENTS

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

3. APPROVAL OF MINUTES OF THE FINANCE & AUDIT COMMITTEE MEETING HELD APRIL 3, 2018

Chairman Slaughter asked for a motion from the Finance & Audit Committee to approve the meeting minutes of April 3, 2018.

MOTION: Moved and seconded (Ishler/Huntley) to approve minutes of PVTA's Finance & Audit Committee meeting held April 3, 2018.

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

Motion passed by a unanimous vote.

4. FY 19 BUDGET

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

This deficit budget is the result of the reduced amount of State Contract Assistance (SCA) allocated and not the amount promised when the Transportation Finance Act was passed in July of 2013 and enacted in Fiscal Year 2014. The amount promised to the RTA's at the enactment of Transportation Reform for FY 18 was \$86 million. Continuing that trend of receiving a 2.5% increase per year, FY 19 would have meant \$88 million; For PVRTA that would have equated to \$2.1 million in more SCA FY19 and reduced the deficit to \$-687,196.

On May 10, 2018 the following executive summary was issued from the senate: "Regional Transit Authorities: The Committee's budget increases funding for Regional Transit Authorities to \$88M and ties future transfers to inflation, to ensure that commuters, students, seniors and people with disabilities can continue to connect to convenient, accessible service. This budget also creates a Task Force on Regional Transit Authority Performance and Funding to make recommendations on service standards, predictable revenue streams, appropriate ridership, customer service, asset management, financial performance indicators and best practices for RTAs, dedicating \$4M of the funding to RTAs that incorporate recommended reforms." Although we are hopeful to receive the additional funding, we cannot budget for it. The budgeted SCA for FY19 is the Governor's current projection of \$80,400,000.

Future Items that could substantially affect this Budget are:

- Final passing of the State Budget is estimated to be done by the 2nd week of July 2018
- Possible price lock of diesel fuel

Highlights:

Cottage Street Operating Costs: Included in the First Transit Budget are operating costs for Cottage Street in the amount of \$679,937. Costs will begin to take effect in January of 2019 and again in April of 2019 when the conversion from Main Street to Cottage Street is expected to occur. There are also additional insurance costs in the amount of \$103,255.

Diesel Fuel has yet to be locked in for FY 19, but the markets are being watched daily. This budget assumes a cost of \$2.10 per gallon for diesel with an estimated 950,000 gallons consumed by First Transit and 211,938 consumed by UMTS. The total cost of \$2,440,069 is included in the fixed route portion of the budget; every ten cent change costs (or saves) PVRTA \$116,000.

Insurance expenses for Fixed Route and Paratransit are dependent upon three categories of costs and allocated to each mode of transit by claims made. Those cost categories are:

- Premium expense charges
- Claim payments made
- Insurance reserve amounts as compared to prior year reserves

Our insurance broker, Eastern Insurance Group, LLC has predicted the cost of insurance for the next fiscal year and added the addition of Cottage Street to that cost, and with a deduction for van coverage as that responsibility has been given to the new paratransit contractor. Although insurance for Cottage Street increased our premiums by \$103,255, the paratransit credit of \$138,000 assisted in bringing all other increases to a net \$44,181 reduction. The rest of the policies increased by 7% this year. An adjustment to the reserve has been budgeted for \$250,000.

IT support services has been reduced by 42% over the previous year. These services are allocated based on time spent to the various modes: Fixed Route, Paratransit, and Administrative. For FY 19 the staffing for this support has been reduced by one full time employee and two tower services are no longer needed. PVRTA capitalizes as much IT costs as possible with Capital Grant funding to keep the operating costs low.

Revenue:

Farebox revenue is expected to increase in FY 19 by \$500,000. Additionally, a contracted increase in the Springfield school tripper revenue is assumed. Currently the Holyoke Public school tripper service is not sustainable and only supporting half of what it cost. We will continue to negotiate with the school system.

Advertising revenue is budgeted to increase slightly in FY 19 due to expansion of advertising into the van fleet.

Interest, Insurance, Miscellaneous: It is hopeful with the reallocation of duties to the claims department that PVTA will increase its subrogation collections in FY 19.

Operating Subsidy: For FY 19 this category contains the remaining \$69,848 in Mobility Grant funding, \$104,065 in support for the Stonybrook Route, and \$400,000 of CMAQ funds to subsidize the operation of a yet to be determined route, and a balance of \$19,452 in the Health Care Access Design grant awarded last year. All this funding is offset by fixed route expenses for a net of zero cost to the PVTA. Additional funding from Five College, Inc. is included in this budget as well and an extra \$100,000 is expected to be subsidized for the services provided to them. Also \$199,839 in revenue from MGM is expected to operate casino shuttle routes. All but \$26K will be offset by the cost of the routes.

At the request of PVTA's Administrator and CFO, UMass Transit Services (UMTS) reduced its original budget request by \$500,000 and the University is now subsidizing the service by that amount of dollars, for a net increase in direct UMTS operations of 3% (minus PVTA direct costs, primarily fuel).

PVTA will be utilizing federal grant operating funds to subsidize operations in the FY 19 Budget year.

State Contract Assistance (SCA) for this budget is currently level funded with last year.

Local Assessments will increase by 2.5% over the prior fiscal year in the aggregate as allowable by law.

Expenses:

Both Fixed Route contractors, First Transit and UMass Transit Services, submitted detailed line item budgets and narratives. Those narratives are included as Appendices.

In addition to the submitted expenses of the contractors, PVTA pays directly for some of the contractors' expenses including:

- Equipment and Maintenance: Technical radio services (SATCo)
- Telephone: Phones, T1 lines, Cable, Cell phones and air cards (SATCo)
- Utilities: Water and sewer (VATCo)
- Miscellaneous: Tower rentals, project management, radio troubleshooting, CORI checks, inspections

Fixed route management services were procured in FY 12 and First Transit was awarded the contract. For the FY 19 budget, the management fee is \$250,066, a 2% increase over the previous year and is a contractual obligation.

Diesel fuel has not yet been locked in, this budget is predicted on a per gallon rate of \$2.10 for the entire fiscal year, SATCo/VATCo is estimating to use 950,000 gallons.

In addition to contractual increases from the last labor contract expiring at SATCo and VATCo on 6/30/2018 and 12/31/2018, PVTA has assumed for labor increases and associated payroll taxes and fringe benefits for the FY 19 budget year pending contract currently being negotiated.

Paratransit:

PVTA operates Fixed Route shuttles in three of its communities: Ware, Palmer, and Easthampton. Those services are currently provided by Hulmes Transportation Services, Inc. and paid for on a service level basis. These services are still being negotiated with Hulmes and an assumption was made for the FY 19 budget. The shuttle service cost has not increased in over 12 years. With the change in paratransit vendors, Hulmes is willing to continue providing shuttle service but at a higher cost, given the loss in support employees. PVTA is planning to issue an RFP for at least 10 months of the year to try and operate this service more cost effectively.

Paratransit Services have been solicited through a Request for Proposal and a contract has been awarded to National Express Transit (NEXT). The original cost proposed was negotiated down by \$343,017. The final paratransit costs are 14.5% higher than the FY18 budget.

A pilot COA program will complete a full year in FY 19 for four communities: East Longmeadow, Hampden, Longmeadow, and Northampton. Towns were initially provided funding based on the number of PVTA provided senior van trips taken by senior residents in their community in FY17. It is expected that this program will cost PVTA \$96,612 in total for the upcoming year. Similarly, the Williamsburg COA operates service for PVTA at a cost of \$12,000 per year.

Fuel costs continue to cause the greatest concern for our Paratransit expenses. The FY 19 budget contains the need for an estimated 424,221 gallons of gasoline at an average cost per gallon of \$2.10. PVTA is in the process of issuing an RFP for gasoline as the current state contract is falling short on discounted gasoline stations in our area.

Maintenance on the vans is expected to increase due to the aging of the fleet and cost of maintenance labor. This dollar amount is offset by a credit to the First Transit budget as maintenance is done in house.

PVTA Administration expenses increased by 4.8% over the FY 18 projected actual. PVTA Administrative Costs comprise 7% of all expenditures, the lowest ever recorded.

Wages are budgeted to increase by 5.0%. There is a 3% merit increase assumed in this budget, and another \$20,000 in the Capital Project Manager's wages that will be charged to the operating budget. With Cottage Street opening, those wages will not be able to be offset by Capital funding.

In FY 18 there was a savings of \$34K from negotiating a 50% pay out of grandfathered sick time that will not be repeated in FY 19.

Health Insurance premiums are expected to increase 6% for next year. Final numbers are expected to be calculated in the middle of June. Long Term Disability, Life and Accident Insurance did not increase with respect to rates, but marginally in accordance with wage increases. All other fringe increases are also wage based (FICA, UHI, Unemployment). PVTA will continue to fund the minimum required pension contribution again in FY 19 as we have for the past several years.

All other PVTA Administration categories are close to budget.

(A complete copy of PVTA's FY19 Budget has been filed with the minutes of this meeting.)

Chairman Slaughter asked for a motion from the Finance & Audit Committee to approve PVTA's FY19 Budget as presented and recommend approval by the Advisory Board.

MOTION: Moved and seconded (Huntley/Ishler) to approve PVTA's FY19 Budget as presented and recommend approval by the Advisory Board.

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

Motion Passed unanimously.

5. OTHER BUSINESS

Chairman Slaughter reported that there is no other business to discuss.

6. ADJOURNMENT

The meeting of the PVTA Finance & Audit Committee adjourned (Huntley/Ishler) at 10:20 A.M.

A TRUE RECORD

ATTEST:


BRANDY PELLETIER

Documents filed with Finance & Audit Committee Meeting packet:

- April 3, 2018 Finance & Audit Committee Meeting Minutes
- PVTA's FY19 Budget

