

**PVTA  
Pioneer  
Valley  
Transit  
Authority**

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**MINUTES OF PVTA'S  
FINANCE & AUDIT COMMITTEE MEETING  
May 27, 2015**

The Finance and Audit Committee meeting of the Pioneer Valley Transit Authority was held on Wednesday, May 27, 2015 at 11:30 A.M. at the PVTA.

**PRESENT:**

Marilyn Ishler, South Hadley; David Moskin, Hadley; Stephen Huntley, Chicopee; Melissa Zawadzki, Easthampton; Brian O'Leary, Belchertown;

Other's Present: John Musante, Advisory Board Chairman; Mary MacInnes, PVTA; Patty O'Leary, PVTA; Brandy Lamour, PVTA;

Brian O'Leary, Chairman of the Advisory Board called the Finance & Audit Committee meeting to order at 11:35 AM.

**1. APPROVAL OF MINUTES**

Chairman Musante asked for a motion from the Finance & Audit Committee to approve the meeting minutes of the Finance Committee Meeting held on March 25, 2015.

**Motion:** Moved and seconded (Ishler/Huntley) to approve the minutes of the March 25, 2015 Finance & Audit Committee Meeting.

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

Melissa Zawadzki abstained.

Motion passed by a majority vote.

**2. FY 15 BUDGET TO ACTUAL**

Chief Financial Officer, Patty O'Leary reported on the FY 15 budget to actual and stated the following:

PVTA will balance this Fiscal Year's budget by drawing down less federal operating funds, and utilizing those same funds to purchase expansion buses for our new service needs. Savings realized

in paratransit gasoline, paratransit incentive deductions, Revenue Anticipation note interest, and administrative services (planning and legal) primarily have attributed to these budgetary savings. PVTA will add the maximum amount allowable (3% of the prior year's local assessment) to the Reserve for extraordinary expense this fiscal year.

#### Revenue:

Farebox revenue is projected to be under budget by less than 1% or 50K by year end. Estimations of the new service revenue appear to be slightly under what was budgeted.

Advertising revenue is expected to exceed budget by \$30K or 12%. PVTA continues to aggressively pursue new contracts for advertising and with a larger fleet there is room for more space.

Revenue from First Student to rent land at Cottage Street in the amount of \$4.3K was not budgeted for and is included in this category. Subrogation payments on insurance claims will fall under budget due to a change in how PVTA pursues subrogation for any damages caused by another vehicle during an accident. In time PVTA will achieve much better results, however it takes longer to pursue 100% of the claim rather than accepting something less, as was with past practice.

Capital grant Reimbursement: PVTA received notification from FTA in July of 2014 that there was \$352K in JARC funds that would be eligible to be use to subsidize the G 1 service. These funds were not included in the original budget and are the primary reason for the overage.

Federal Operating Subsidy: This revenue category will be adjusted to compensate for any budget variances at year end. With this projection, it is expected that PVTA will utilize \$1 million less in Federal Operating funds and use those funds to purchase expansion buses (Capital) for the new service. There are fifteen buses being delivered in July, four of which are to expand our fleet.

#### PVTA Administration Expenses:

Interest: PVTA borrowed \$13 Million dollars, as was projected (as compared to \$33 Million last year); however the net interest rate was actually 0.417% rather than the budgeted 1%. This will result in all of the savings this fiscal year. Most of the savings was realized in the first month of the fiscal year due to a large premium offered by the successful bidder of \$75,579.

Planning: PVTA is projecting to come in under budget by approximately \$73K as additional planning services for the new service was not necessary.

Legal: PVTA has had very little need for legal services outside of the claims department this Fiscal Year. This line item can fluctuate without notice, but has been very steady in the last few years.

Rent: During last year's budget, Opal Real Estate Group, who manages Peter Pan's property at the Springfield Bus Terminal, increased PVTA's rent from \$12,673 to \$25,346 per month. PVTA's Administrator was able to negotiate down to \$22,817 per month, saving PVTA \$30K for

FY 15. PVTA's lease(s) at the two Information Centers on Main Street in Springfield run from July through June and are on budget.

Advertising (Marketing): Television and radio advertising for the Smart Card Campaign were included in this budget at \$100K. Project delays have delayed the marketing also. It is expected that this campaign will take place in early FY 16. Funds have been projected in the new budget.

Paratransit Service:

Contractor Payments: The amount paid to the Contractor, is projected to come in under budget for two reasons. The standards established for incentives have not been met through the first 7 months of FY 15, and this is projected to produce a savings of \$63K by year end. The rest of the savings comes from reduced service hours this winter when PVTA had to shut down due to the snow storm(s).

Fuel is running under budget due to the drop in fuel prices. The Price per Gallon in December was .98 cents lower than last December. PVTA purchases approximately 400,000 gallons of gasoline for its paratransit fleet every year. A twenty cents (\$.20) drop in fuel pricing saves PVTA \$80,000 per year. The FY 15 budget was set at \$3.25. The amount of gallons purchased is on budget; however the savings by fiscal year end are expected to be approximately \$350K.

Maintenance of our van fleet is projected to run under budget for the fiscal year by \$80K. The addition of new vehicles to the fleet has attributed to this. This line item is offset by a credit to the SATCO operation payments.

Fixed Route service is projected to end this fiscal year under budget by .5%.

First transit (SATCO/VATCO) is projected to be under budget this fiscal year by \$222K, 213K in savings is in labor (103K in operations, 113K in maintenance) and most of the balance in materials & supplies. The new service is operating more efficiently than expected; however operator overtime is keeping costs closer than expected in the future. When there are a sufficient number of drivers, this overtime will decrease. The newer vans and bus fleets are contributing to savings in materials and maintenance.

UMass Transit Service is projected to be very close to budget at year end, a lot more fuel was purchased than budgeted due to new service, and the new service itself is costing a bit more.

Shuttle service is operated by Hulmes Transportation in three of PVTA's communities: Ware, Palmer, and Easthampton. Service is operating less than expected in all three communities.

Chairman O'Leary asked if the committee had any questions. Hearing none.

Chairman O'Leary asked for a motion from the Finance & Audit Committee to accept the report of the FY15 Budget to Actual.

**Motion:** Moved and seconded (Ishler/Huntley) to accept the report of the FY15 10-month Budget to Actual.

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

Motion passed by a unanimous vote.

A complete copy of CFO O’Leary’s report on PVRTA’s FY15 10-Month Budget to Actual has been filed with the meeting minutes of this meeting

### **3. FY16 DRAFT BUDGET**

Chief Financial Officer, Patty O’Leary reported on the FY 16 final budget and stated the following:

Since FY 2014 State Contract Assistance (SCA) to PVRTA has increased \$4.7 million. In FY 15 an estimated \$2.4 million of new service was put on, and in FY 16 another \$1.5 million of annualized new service is proposed. Therefore of the 4.7 million in increased SCA, \$3.6 million went to direct service and another \$400,000 in indirect costs associated with new service such as insurance for the expanded fleet, parts and maintenance, IT services, and fuel consumption. By the end of FY 2016, it is projected that the total indirect and direct operating costs of the new service is \$4 million dollars or 85% of our increase in SCA.

#### **New Service:**

The Fiscal Year 2016 Budget contains \$1.2 million dollars of new service, phasing in all by the winter of 2015. Based on recommendations from the Comprehensive Service Analysis, and approval by the Advisory Board, new service will be added in FY 16, in addition to the service already added in FY 15. Another \$1, 216,627 in cost of service is estimated to be added as service changes will be gradually implemented.

Fifteen new buses were ordered (4 expansion and 11 replacements) which will be delivered in July of this year, to assist PVRTA in operating this new service. PVRTA’s Fixed Route fleet will have more than 180 (184) buses operating for the first time in recent memory.

A full year of this service had it began on July 1 is estimated to cost \$1,492,863.

Except for two routes, all new service in FY16 will be run by SATCO, and there should be no material effect on the paratransit service as the new service is primarily increased frequency and not new routes.

Three maintenance positions and one IT position were added at SATCO in this budget to further assist with the increase in service and demands on the system.

Allocated Insurance: 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 is predicting increases of 5% for our General Liability, Pollution, Property, and Umbrella policies, 10% for our Auto liability and 15% for our Public Officials policy. The reasons are as follows:

- The public officials/employment practices line has been hit with some claims so the loss experience has been poor. (2 past Administrators, and 1 staff attorney)
- Liability for commercial auto, specifically heavy trucks and buses, is still a hard market because of the number of significant bodily injury claims occurring nationwide.
- The property, pollution, general liability and umbrella are based on industry loss trends plus inflation.

This will increase the cost of the premiums by \$51K.

Claim Payments were down significantly in FY 15 (over \$125K) due to new processes developed in the PVRTA Claims department and are expected to continue in FY16. FY 15 and FY 16 reserves will be increased but offset by the reduction in claim payments. The adjustments(s) to the reserve will be made due to the analysis of open claims, and in particular one large potential claim. The CFO and Administrator believe that Insurance Reserve should be increased by \$500,000. This will put the reserve at \$2,000,000.

#### Revenue:

Farebox revenue is budgeted to increase in FY 16 with the new service and with increase in some of the college contracts. Paratransit revenue is expected to remain even with FY 15 levels.

Advertising revenue is budgeted to increase slightly in FY 16 given the trend over the past 2 years and the expansion of the fleet.

Interest, Insurance, Miscellaneous: Very slight increase projected in FY 16 over FY 15.

Capital Grant Reimbursement: There is a significant change in this category as there are no longer any JARC or New freedom funds. The only item left in this category is the funding received from the Hampden County Sheriff's department for the Stonybrook service PVRTA provides. This leaves PVRTA with \$600K in revenue that will be made up with Federal operating dollars (preventive maintenance).

#### Federal Grants:

The \$600K loss from the Capital grant revenue and another \$1,000, 000 will be necessary to balance this fiscal year's budget. There is also an additional \$160,000 in planning funds

included here which will be used to offset our BRT study expenses.

State Contract Assistance: (SCA) for FY 15 was published by MassDOT on 03/25/2014 in the amount of \$23,680,558; an increase of \$700,130 or 3% over FY 15.

Local Assessments will increase by 2.5% over FY 15 in the aggregate as allowable by law. Additionally 27% of the net cost of service of the fixed route service will also be charged to the communities in FY 15 as is allowed by law. That is the percentage paid for the Net Cost of Service in FY 14 by PVTA Communities. The dollar amount of that is calculated to be \$191,046. Those dollars will be spread throughout the PVTA service area based primarily on vehicle revenue miles after Net Cost of Service is audited at year end.

#### Expenses:

Diesel fuel was locked in a month ago when prices plummeted at a rate of \$2.45 per gallon for all of FY16. This lower price will save PVTA approximately \$770,000 over FY 15. It is the lowest price paid for diesel fuel in the past decade.

First Transit/SATCO/VATCO: Fixed Route management services were procured in FY 12 and First Transit was awarded the contract. For the FY 16 budget, the management fee is \$361,865.

SATCO/VATCO will be putting on \$1.2 Million dollars of new service in FY 16. This increases the directly operated services by SATCO/VATCO over the past 2 years by \$3.5 Million. In FY 17 another \$200K is projected in new service. In this budget are 4 new positions proposed: 3 Maintenance and 1 IT person, to assist in handling this new service amounting to a cost of \$295K. Additionally the current collective bargaining agreement will cost \$439K in this budget. SATCO's agreement expires on 10/31/2015 and VATCO's on 12/31/2015. Assumptions were made about the new collective bargaining agreement which will be reached during this budget year. All of these increases have been offset by a reduction in fuel cost of approximately \$600K.

University of Massachusetts: UMTS has submitted a budget that has increased 2.8% or \$87K over FY 15 mainly due to contractual labor obligations. Diesel fuel purchased by PVTA for UMTS will save this Operation \$153K. After budgeting another \$15,000 for PVTA direct expenses (Equipment & Miscellaneous), UMTS FY 16 budget is expected to be less than that of FY 15 by \$98K.

Shuttle Service: 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. Assumptions were made for the budget as these services will be procured for in Fiscal Year 2016.

#### Paratransit Service:

Contractual Costs: Paratransit service is expected to increase by almost 8% in FY 16 over FY 15. The contractor payments are expected to increase by 5%, 3% by contract and 1% assuming a full schedule and less incentive deductions. Additionally, the effect of the new Massachusetts minimum wage law is expected to increase this cost to PVTA by \$61,820 in FY 15. The table below indicates the contractual amounts that will be paid to Hulmes Transportation, Inc.

Equipment and Van Maintenance: Van Maintenance is performed by our Fixed Route contractor at the Springfield Garage (SATCO). The cost of maintaining the vans is billed to PVTA and paid directly to SATCO. This cost is projected to increase by \$55K as it was very low in FY 15 and fuel is expected to return to pre FY 15 levels.

Fuel: Fuel costs continue to cause the greatest concern for our Paratransit expenses. The FY 16 budget contains 400,000 gallons of gasoline at an average cost per gallon of \$3.15. In FY 15 this cost was reduced dramatically when gasoline prices declined for several months.

PVTA Administration:

Overall Administration expenses increased by 9.5% over FY 15 projected actual. PVTA Administrative Costs comprise 9% of all Expenditures in the FY 16 budget. There is an extra \$160,000 in the planning line this year due to the BRT Study. Those funds will be fully reimbursed and are included in the Federal Revenue portion of this budget.

Personnel: Wages are budgeted to increase by 7%. There is a 3% merit increase in this budget and another \$50,000 allocated to a Paratransit Analyst position. This is expected to be filled in all of FY 16. The Mobility Trainer's wages and fringes will no longer be offset by the New Freedom training grant as that has expired.

Health Insurance premiums are expected to increase 8% for next year. Final numbers are expected to be calculated in the middle of June. Long Term Disability, life and accident insurance increased marginally by 3%. All other fringe increases are wage based (FICA, UHI, Unemployment). PVTA will continue to fund the minimum required pension contribution again in FY 16 as we have for the past 2 years. The FY 16 budget contains another pension shortfall payment of \$300K.

Chairman O'Leary asked for a motion from the Finance & Audit Committee to approve PVTA's FY16 Final Budget.

**Motion:** Moved and seconded (Ishler/ Zawadzki) to approve PVTA's FY16 Final Budget.

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

Motion passed by a unanimous vote.

A complete copy of CFO O'Leary's report on PVTA's FY16 Final Budget has been filed with the meeting minutes of this meeting.

#### **4. OTHER BUSINESS**

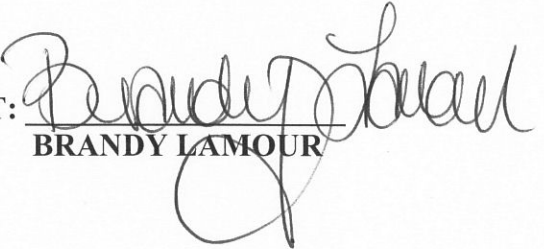
Chairman O'Leary stated that there is no other business to discuss.

**5. ADJOURNMENT**

There being no further business, the meeting was adjourned (Moskin/Ishler) at 12:00 P.M.

**A TRUE RECORD**

ATTEST:



**BRANDY LAMOUR**

Documents filed with Finance Committee Meeting packet:

- FY15 10-Month Budget to Actual
- FY16 Final Budget

Meeting Minutes Approved September 23, 2015