

**PVTA
Pioneer
Valley
Transit
Authority**

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**MINUTES OF PVTA'S
FINANCE & AUDIT COMMITTEE MEETING
May 23, 2017**

The Finance and Audit Committee meeting of the Pioneer Valley Transit Authority was held on Tuesday, May 23, 2017 at 1:00 P.M. at the Pioneer Valley Transit Authority Administration Office located at 2808 Main Street in Springfield, MA.

PRESENT:

Doug Slaughter, Amherst; Marilyn Ishler, South Hadley; Brian O'Leary, Belchertown;

Other's Present: Patty O'Leary, PVTA; Brandy Pelletier, PVTA; Carolyn Hart-Lucien, PVTA; David Elvin, PVPC;

NOT PRESENT:

David Moskin, Hadley; Stephen Huntley, Chicopee

Brian O'Leary stated that the committee has a quorum and called the meeting to order at 1:10 P.M.

1. APPROVAL OF MINUTES OF FINANCE & AUDIT COMMITTEE MEETING OF MARCH 27, 2017

Brian O'Leary asked for a motion from the Finance & Audit Committee to approve the meeting minutes of March 27, 2017.

Motion: Moved and seconded (Slaughter/Ishler) to approve minutes from PVTA's Finance & Audit Committee meetings of March 27, 2017.

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

Slaughter and O'Leary voted in favor. Ishler Abstained. Motion passed.

2. PVTA FY 18 FINAL BUDGET

Patty O'Leary, Chief Financial Officer, presented the final FY18 Budget and stated the following:

PVTA's FY18 Budget has a \$1.2M deficit. This deficit is the result of deficient funds for State Contract Assistance (SCA) 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. However, that was not what was put in the Governor's budget for FY18; the amount in the

budget is \$81 million. All RTA's are convinced that the final number will not be less than \$82 Million and are all budgeting accordingly.

That act provided \$600 million dollars per year over 5 years for Massachusetts transportation systems. The state's 15 Regional Transit Authorities (RTAs) were forward funded in 2014 and an additional \$18 million per year in State Contract Assistance was awarded. Mass DOT estimated the amount of SCA for FY 2014 through FY 2018, raising SCA for the RTA's from \$80 million in FY 15 to \$86 million in FY 18. Since Governor Baker took office he has level funded the RTA's to FY 2015 levels. The difference to PVTA of what the original estimate was and what we are now receiving in FY 18 is \$1,297,102. In FY 17 PVTA received \$608,159 less than projected.

As required by law, PVTA needs to have the Advisory Board approve the budget by June 1, 2017, which is before we will know what amount of funding we will receive. The bottom line is that PVTA will be submitting a \$1.2M deficit budget and recommending going out to public hearings on possible service changes pending funding for the final state budget and CMAQ funds.

Options for Deficit in FY18:

1. Reduce Fixed Route Service
2. Reduce Senior Service
3. Raise Fares
4. A combination of the above
5. Submit a Deficit Budget
6. Request funds from the Secretary of Transportation from Reserve for Extraordinary Expense

Ms. O'Leary stated that the Route Sub-Committee will be meeting to discuss possible service changes if PVTA does not receive \$86M funding.

Final passing of the State Budget is estimated to be done by the 2nd week of July 2017. The Senate Ways and Means committee put in an amendment for \$83M for the RTA's and Senator Gobi filed an Amendment for \$86 million. Each million dollars amounts to approximately \$250K for PVTA. If \$83M passes, this deficit will be reduced by \$250K, if \$86M passes, this deficit will be eliminated with very few route adjustments, if any.

For FY 18 PVTA has applied for \$500,000 in a CMAQ grant just recently obtained with the help of PVPC to keep route P21E operating. PVTA has the full support of FTA and this will be presented at the MPO meeting the morning before the Finance committee at which this budget is presented. If PVTA is awarded this grant, \$400,000 will come directly off the deficit (matching requirements).

Brian O'Leary asked what the savings would be if PVTA eliminated school trippers.

Ms. O'Leary stated \$275,000 but in order to reduce, change, or eliminate any service, we have to go out to public hearings.

Ms. O'Leary continued reporting on the FY18 Budget stating the following:

Union Station is scheduled to open on June 25, 2017. The addition to the PVTA Fiscal Year 2018 budget for locating the bus hub there and the customer service center is \$77,593. PVTA signed an agreement with the Springfield Redevelopment Authority to pay the following costs per year. These costs are included in this budget.

Fuel requirements exceed 1 million gallons per year (averaged 840,000 gallons prior to the new service implementations). PVRTA recently locked in diesel fuel at \$1.96 per gallon for all of FY 18. This will keep the cost down for both UMTS and SATCO. Although slightly higher than FY 17 (average \$1.77 per gallon), obtaining a price less than \$2.00 was considered a good risk in the current political and economic environment.

Allocated Insurance: Insurance expenses for Fixed Route and Paratransit are dependent upon 3 categories of costs and allocated to each mode of transit by claims made. Those cost categories are premium expense charges, claim payments made, and insurance reserve amounts as compared to prior year reserves

Our insurance broker, Eastern Insurance Group, LLC is predicting increases of 3% on all our policies.

The adjustments(s) to the reserve have been reduced by \$100,000 over what was intended due to the deficit budget. The decrease in the reserve was offset by an increase in FY 17.

IT support services is expected to cost only \$33,000 more in FY 18 over the FY 17 projection. These services are allocated based on time spent to the various modes: Fixed Route, Paratransit, and Administrative. For FY 17 the allocation percentages are: 73%, 22%, and 5% respectively. Due to new Capital Projects in FY 18, PVRTA will be able to capitalize some of the IT costs originally scheduled to be covered by the operating budget.

Farebox revenue is expected to increase in FY 18 primarily due to contracted increases in the Springfield school tripper revenue, and projected increases in the Holyoke school tripper revenue. Currently the Holyoke Public school tripper service is not sustainable.

Advertising revenue is budgeted to remain level with FY 17.

Interest, Insurance, Miscellaneous; Very slight increase projected in FY 18 over FY 17.

Capital Grant Reimbursement; For FY 18 this category contains the remaining \$31,357 in mobility grant funding, and \$119,699 in support for the Stonybrook route.

State Contract Assistance (SCA) for FY 18 is currently level funded with FY 16.

Local Assessments will increase by 2.5% over FY 16 in the aggregate as allowable by law.

First Transit/SATCO/VATCO: Fixed Route management services were procured in FY 12 and First Transit was awarded the contract. For the FY 18 budget, the management fee is \$242,081.

Diesel fuel was locked in at a rate of \$1.96 for the entire fiscal year. SATCO/VATCO use just over 1 million gallons per year.

University of Massachusetts: At the request of PVRTA's CFO in April, UMTS reduced its original budget request by the following:

- \$210,000 reduction to Driver payroll. This reduction will require Transit to maintain the current increase level of \$.025 increase per semester for drivers and leave differential to minimum wage at approximately 20%. This will need to be reviewed going forward since the lower differential often impacts recruitment and retention of new drivers.
- \$72,654 allocated for Systems Admin has been reallocated to PVRTA Capital funding. This reduction may have to be reviewed in the future if/when capital funding is no longer available.

- \$83,646 has been reduced from operating costs/misc. This reduction will result in the loss of flexibility for 1X costs including overtime for mechanics, purchase of surplus parts, etc.
- \$33,700 has been reduced from the administrative overhead line item.

A total of \$400,000 was eliminated from the draft budget request. This final request is an 8% increase over the prior year's budget, rather than the original 23%. Most of the increase is due to the Commonwealth of Massachusetts minimum wage law increases. Fuel is locked in as SATCO purchases the fuel for UMTS through a procurement process. The same price of \$1.96 per gallon is calculated in this budget. UMTS is projected to use almost 211,864 gallons in FY 18.

Shuttle Service: PVRTA operates Fixed Route shuttles in three of its communities: Ware, Palmer, and Easthampton. Those services are currently provided for by Hulmes Transportation Services, Inc. and paid for on a service level basis. These services were level budgeted in FY 18.

Paratransit service provided by Hulmes is expected to increase by 3% in FY 18. The table below indicates the contractual amounts that will be paid to Hulmes Transportation, Inc.

A pilot Council on Aging (COA) program will begin in FY 18 for three COA's: East Longmeadow, Hampden, and Longmeadow, and continue for Northampton. This should address the continuing needs of senior riders in the PVRTA service areas. Four COA's will provide transportation services to PVRTA senior riders in their communities as well as organizing group trips to abutting communities (i.e. medical, shopping, etc). Towns will be provided funding based off of the number of PVRTA provided senior van trips taken by senior residents in their community in FY18. The PVRTA will be providing one van that has reached the end of its useful life to each of these participating communities.

Fuel costs continue to cause the greatest concern for our Paratransit expenses. The FY 18 budget contains 415,000 gallons of gasoline at an average cost per gallon of \$1.95.

Equipment and Van Maintenance: FY 18 is expected to be almost the same as FY 17, very little variance. PVRTA has been able to keep the van fleet in a very good State of Good Repair.

Overall PVRTA Administration expenses decreased by 1.4% over FY 17 projected actual. PVRTA administrative costs comprise 8% of all expenditures, falling below the 9% threshold for the first time in several years.

Personnel: Wages are budgeted to decrease by -.2%. There is a 3% merit increase assumed in this budget, offset by the elimination of the Mobility Trainer position. Associated fringes with that position will also create budgetary savings.

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). PVRTA will continue to fund the minimum required pension contribution again in FY 18 as we have for the past 2 years. The FY 18 budget contains a pension shortfall payment of \$450K, as opposed to \$500K in FY 17. In total, fringes decreased by .2% with the elimination of a position and the prediction of less family health plans.

Services: An extra \$100,000 is in the FY18 budget for the design of The Cottage/Robbins intersection improvement project (Cottage Street area) which has been programmed and is currently scheduled to receive \$1 Million in funding in federal fiscal year 2020. PVRTA is required to pay \$250,000 for the design of the

intersection. PVTA paid \$22,000 in FY17, will pay \$100,000 in FY18, and 128,000 in FY19. The City of Springfield has required this of PVTA.

Interest: The FY 18 budget is projecting to borrow \$13,500,000 at an interest rate of 1.5% with a discount of \$85,000. That will amount to an interest expense of \$111,430 in FY 18. The interest rate is .5% higher than that received last year and the discount is in line with historical trends over the past 3 years.

Utilities/Securities: The FY 18 budget is projecting to spend \$60K on security for the Westfield Transit Pavilion and \$30,000 in utilities for the customer service center at Union Station. These expenses were not part of the FY 17 year.

Rental/Janitorial/Union Station: With the opening of Union Station, the rent for Peter Pan which was paid out of the Administrative budget is no longer needed. The bus berth expenses are now included in the Fixed Route budget. Aside from janitorial costs, rent charges for Administration in FY 18 include \$85K for Union Station, \$12K for the Holyoke Intermodal Center, and the rest of the expenses are for janitorial services.

All Other Administrative line items are close to last fiscal year.

Chairman O'Leary asked if the committee had any questions.

Doug Slaughter asked if PVTA is looking to have the committee approve the budget with a \$1.2M deficit, submitted with a plan of how PVTA plans to balance the budget (with the proposed service changes) and come back in July to revisit the funding after we know the amount received from the state.

Ms. O'Leary stated yes. PVTA needs to have the budget approved by June 1st, before we know what amount of funding we will actually receive which we will find out in early July.

Chairman O'Leary asked if the committee had any further questions.

Hearing none.

Chairman O'Leary asked for a motion from the Finance Committee to recommend submitting the FY18 deficit budget as presented with a plan to balance the budget to the full board for approval.

Motion: Moved and seconded (Ishler/Slaughter) to recommend submitting the FY18 deficit budget as presented with a plan to balance the budget to the full board for approval.

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 PVTA's FY18 Final Budget has been filed with the meeting minutes of this meeting.


3. OTHER BUSINESS

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

4. ADJOURNMENT

The meeting of the PVTA Finance & Audit Committee adjourned (Ishler/Slaughter) at 2:03 P.M.

A TRUE RECORD

ATTEST: 
BRANDY PELLETIER

Documents filed with Finance & Audit Committee Meeting packet:

- March 27, 2017 Finance & Audit Committee Meeting Minutes
- PVTA FY18 Final Budget

MINUTES APPROVED 7-19-17