**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**BOARD OF DIRECTORS**

**MNUTES OF DECEMBER 18, 2006 MEETING**

**Board Members Present: Thomas Deller, Chairperson; Robert Batting, Vice-Chair; William Kennedy and Chuck Alves.**

**Also Present: Alfred J. Moscola (General Manager); Lori Caron Silveira (Outside General Counsel); Andrew Prescott (Outside Labor Counsel); Henry Kinch; Maureen Neira; Mark Therrien; Ellen Mandly and other members of RIPTA's senior staff and the public whose names are listed on the meeting sign-in sheet.**

**Agenda Item 1: Approval of Minutes of September 25, 2006 Meeting**

**Mr. Deller opened the meeting and requested comments regarding the minutes of the September 25, 2006 meeting. Hearing none, a motion was made for the approval of the minutes of the September 25, 2006 meeting by William Kennedy, which was seconded by Robert Batting. The Board unanimously approved the minutes as presented.**

**Agenda Item 2: General Managers Report**

**Mr. Moscola began his general managers report covering the months of August, September and October by discussing the cost of fuel. For FY 2007 the high was $2.62, which occurred on August 8th, and the low, which occurred on November 1st, was $1.93 for an average cost of $2.23. The most recent purchase on December 15th was $2.16, which was below the FY 2007 budgeted amount of $2.60 per gallon.**

**Mr. Moscola stated that of the 55 trucks RIPTA is maintaining for RIDOT there are 2 left that require repairs and then RIPTA will begin preventive maintenance on the RIDOT fleet. This has been a very successful relationship with RIDOT and both parties are very happy. Finally, the General Manager noted that Jim Capaldi Director of RIDOT and RIPTA Board member has retired. Mr. Moscola expressed his appreciation for the commitment and dedication shown by Director Capladi during his tenure on the RIPTA Board and wished him the best in his retirement.**

**Tom Deller asked if there were any questions for the General Manager and Robert Batting offered an observation saying that while gas prices are down somewhat, the per barrel price is still quite high. He referenced a comment made by Representative Costantino that the high cost of gas was resulting in less gas tax revenue. Mr. Batting added that while ridership is up, he'd like to see more commuter passengers riding RIPTA.**

**Agenda Item 3: 2007 Board Meeting Schedule**

**Mr. Deller moved on to the next agenda item, proposed dates for Board meetings for the 2007 calendar year. Mr. Deller noted that the dates of the February and April meetings were pushed back one week due to school vacation. Mr. Kennedy moved that the 2007 Board meeting dates be approved and Mr. Batting seconded the motion, which passed unanimously.**

**Agenda Item 4: Presentation by Angell Pension Group on GASB #45**

**Maureen Neira introduced Jason Denton from Angell Pension Group to give a presentation on GASB #45. Mr. Denton began by explaining that GASB #45 is a new government accounting standard that impacts state and local government employers who provide post-employment benefits other than pensions, such as medial, dental, vision, etc. It requires recognition of expenses over an employee's working lifetime, but does not require advance funding versus the typical pay-as-you-go method, but does encourage ongoing payments. GASB #45 has received a lot of attention especially as news of valuation costs and studies of its implementation are released to the public. The press has said that GASB #45 is a large burden. Like GASB # 35 & 27 did for pension benefits, GASB #45 requires that you make annual contributions.**

**Included in the annual required contributions are the cost of current benefits earned and making some payment toward past years for retirees. Neither of these factors takes into consideration what is paid today for current retirees. Mr. Denton gave a Powerpoint presentation and gave those present a hard copy of the slides.**

**Mr. Denton discussed the financial impact of the interest rate used and the relationship between number of active and retired employees. The more active people you have in the plan the bigger impact on the premiums. There is a significant increase in accounting costs associated with post-employment benefits. The typical expense increase is 3 to 6 times the annual pay as you go cost. Mr. Denton stressed the possible effect on our bond rating, which might increase the cost of borrowing. He said Moody's doesn't expect an immediate impact by GASB #45 as they were always aware we offered post-employment benefits, however going forward the issue of how we addressed and funded, or did not fund, would affect our bond ratings in 5 to 10 years. He noted that we have limited ability to change our post-employment plans because we must negotiate any change with our unions.**

**Another factor to consider is the discount or interest rate and the cost associated with active employees retiring in 30 to 40 years. A higher discount rate means lower liability. GASB #45 is specific regarding the discount rate, which is the rate of return used on the dollar amount being funded. For instance if you fund GASB #45 from**

general assets, i.e. no medical trust, you would have a lower expected return of 3% to 5% while a medical trust would be structured and invested similar to the pension trust and have an expected return of 7% to 8%. One alternative is to establish a dedicated trust to pay for medical benefits and administrative expenses which could be invested similar to the pension trust. Mr. Denton stated that 100% of the annual required contribution must be contributed each year to use the full 7% to 8% assumption. If less than 100% of the annual required contribution were made a blended rate would be used.

Regarding the valuation of the plan, Mr. Denton said that at July 1, 2006 the liability of the plan was at $65 million if no trust is created. GASB #45 annual required contribution will be approximately $8.2 million per year. The current retiree premiums budgeted are approximately $1.9 million which means an increase of about $6.3 million is required to comply with GASB # 45. If a trust is established, the liability drops about a third and associated costs drop significantly. This would include a hedge to pay for liabilities as assets are being built up to pay the 30-year amortization. Tom Deller asked what the liability would be at next July when the retirees begin to pull out benefits. Mr. Denton said that a valuation is completed every 2 years unless something significant, like a big layoff, was to happen. Al Moscola clarified that implementing GASB #45 will cost $6.1 million every year with no trust established and a big liability, or a 100% payment or something in the middle if we make a portion of

**the payment and let the difference build up. Tom Deller stated the best-case scenario would be to set up a trust and put in $6.1 million every year. Mr. Denton agreed that funding the plan at 100% would be the best method, but said if can't put in $6.1 million any amount we put in would help. Mr. Denton stated our ability to change plans is limited due to the unions. Through bargaining, an increase in cost sharing (employee contributions) by 5% would cause the liability to go down 5% - it's directly related. Mr. Moscola asked if he meant all employees or just retirees? Mr. Denton clarified that this relates to retirees only, not active employees as GASB # 45 is about premium payments in retirement.**

**Bob Batting asked if Mr. Denton worked for other state agencies. Mr. Denton said he did not, but he does work for towns. Some of towns Mr. Denton works for intend to establish trusts but haven't done so yet. Mr. Batting asked if valuations had been done on our premiums and Denton said they had. Mr. Batting asked what our unfunded pension liability is and Mr. Denton said while he did not bring those figures with him, he knows it's much less because one plan is fully funded and the other is about $3 million funded. Maureen Neira added that we're 50 – 60 % funded on both plans. Denton said accrued liabilities are well funded, but in the future they are unfunded. Mr. Denton said the total liability is about $40 million. Mr. Batting added that by his calculations this means we would have a liability of $40 million on the pension and $65 million for medical. Mr. Denton said that was correct, if we did not establish a trust. Al**

**Moscola asked if every city, town and state has this same problem. Mr. Denton said yes noting that in the mid 90's private companies had to deal with this same issue and they reduced or suspended post-employment benefits.**

**Tom Deller stated a decision needed to be made as GASB #45 impacts the FY 2008 budget. In his opinion, the best option is to put $6.1 million in trust, minus the $1.9 million we currently have budgeted for retiree premiums. He added that more than $3 million of the $6.1 million is to pay past liability so that will eventually go down. Mr. Batting asked about the out of pocket cost for retirees? Ms. Neira said its approximately $1.9 million which is up considerably in the past few years. Mr. Batting noted it had gone from one million to almost 2 million. Mr. Batting asked if there was any advantage to establish a trust even if we only put in $2 million? Mr. Denton said yes, our best option is to establish a trust and fund it as best as possible. Mr. Deller asked if we could piggyback with the State in establishing the trust? Ms. Neira said she asked that question and will know hopefully in January. She cautioned that the state might require 100% funding. Al Moscola added that the advantage of teaming with the state would be a possible higher rate of return or we can establish our own trust if the state requires 100% funding. Mr. Deller said all states and communities have to deal with the**

**question of at what level to fund, therefore he suggested putting 100% of the cost in the FY 2008 budget, realizing that adds to the**

**deficit. Mr. Batting asked if RIPTA being a quasi-public agency affected this and Ms. Neira said it wasn't an issue. Ms. Neira cautioned that if we piggyback with the state they might charge us an administration fee.**

**Tom Deller asked if there were any further questions regarding GASB # 45 and hearing none moved on to next agenda item.**

**Agenda Item 5: FY 2008 Budget Update**

**Maureen Neira addressed the Board to discuss updates to the FY 2008 Budget since the last Board meeting. She reported that GASB #45 has been added to the budget and that at the November Revenue Estimating Conference the state reduced the gasoline tax yield from $4.8 million to $4.685 million per penny for a loss $920,000 in revenue. The reduced gasoline tax yield also affected the FY 2007 budget for the same amount. Currently we are 6 months into this fiscal year and the fuel costs are staying down, which will help us stay within the budget. She also deferred three full time positions from the FY 2008 budget into FY 2009. Additionally, a multi-year claim settlement allowed the Authority to realize a $300,000 savings in FY 2008. Based on the current costs of fuel we have reduced the price per gallon of fuel from $2.90 to $2.60 that resulted in a savings of about $800,000. The budget deficit now stands at $7.3 million. Most of increase is due to GASB #45 if we budget at %100. Bob Batting asked if we had saved on fuel, and lost money on the gas tax**

**yield. Maureen Neira said staff recommends moving forward with the budget, which includes GASB #45. Tom Deller said he agreed. Bob Batting said $5.5 million of the $7.3 million deficit is due to pension and health; the rest of the deficit $2.8 million is due to operating expenses. Al Moscola said we always work hard at year-end to keep the budget in check. He had recently sent an email to each department head asking them to cut 10% out of their individual department budgets for FY 2008. He will watch the fuel costs and the actual gas tax yield in May 2007. If the Board decides to fund GASB #45 at 100% that is tremendous. Mr. Moscola said he would work diligently to lower the $7.2 million deficit. Tom Deller stated that we have to reduce costs, vacancies, etc. Mr. Deller then asked for questions relating to the FY 08 budget. There were no questions however Maureen Neira added that she would continue to update Rosemary Gallogly on our budget. Bob Batting asked Ms. Neira to include manpower figures in the General Manager report beginning with the November report.**

**Agenda Item 6: RFP 06-23 Workers' Compensation Defense Counsel**

**Before the discussion of this agenda item began, Mr. Moscola noted that the RFP number on the agenda says RFP 22, which is incorrect. The correct RFP number is 23. Mr. Kennedy made a motion to correct the agenda to reflect the change to 23. Mr. Batting seconded the motion, which passed unanimously.**

**Mr. Mencarini then addressed the board regarding agenda item 6, RFP 06-23 Workers' Compensation Defense Counsel. This is a one-year contract with up to four annual renewal options. The five-year average hourly rate for this contract is $150.00, which is a good rate, about $25 to $50 less than is charged by other firms. Tom Deller noted that this is a single bid procurement and Mr. Mencarini responded that it was due to the small size of our account. After this discussion, Mr. Kennedy moved that the contract be awarded to Revens, Revens and St. Pierre and Mr. Batting seconded the motion. The motion passed unanimously.**

**Agenda Item 7: RFP 07-04 Service Trucks**

**Mr. Mencarini discussed the procurement process for RFP 07-04 for service trucks. There were two vendors who submitted bids to purchase three service trucks and Anderson Motors was selected as they offered the lowest cost at $105,977. Mr. Moscola added that during the procurement process he assisted in the specification and design of the trucks. Tom Deller asked if the price included options and Mr. Mencarini said it did, he would come back before the Board to discuss before we exercised any of the options. Mr. Batting asked what would become of our old service trucks and Mr. Moscola said he would attempt to fix them or sell them, however these trucks are like Uhaul vehicles and are not 'road trucks'. Mr. Kennedy moved that the contract be awarded to Anderson Motors as recommended by staff. Mr. Batting seconded the motion, which passed unanimously.**

**Agenda Item 8: RFP 07-10 Genuine Ford Parts**

**Mr. Mencarini discussed the staff summary for genuine Ford parts for RIPTA's paratransit vehicles, Explorers and Ford trucks. RIPTA was informed that our previous supplier Rizzo Ford had gone out of business and therefore we needed a new parts supplier. Tasca Automotive Group was the bidder with the lowest markup of the three vendors who submitted proposals. Staff recommends that this one-year contract with up to four annual renewal options be awarded to Tasca Automotive Group. Mr. Kennedy moved that the contract be awarded as recommended. Mr. Batting seconded the motion, which passed unanimously.**

**Agenda Item 9: Presentation by Mark Therrien on Transit 2020**

**Mark Therrien addressed the Board to discuss the Transit 2020 program that RIPTA is working on with the City of Providence. Mayor Cicilline formed the group because he is concerned about congestion and parking in Providence. Transit 2020 is part of our 2006 – 2008 Transportation Improvement Program ("TIP"), which is 80% federally funded and 20% funded by RIPTA. The TIP has previously been presented to the Board and was approved. Mr. Therrien then gave a Powerpoint presentation and handed out a hardcopy of the slides to those present. Mr. Therrien asked that Board members let either he or the General Manager know if there is anything addressed in Transit**

**2020 that they would liked studied further by RIPTA. Mr. Therrien then gave a presentation on Transit 2020's project history, the members and goals of the 2020 working group, its scope and objectives, study outputs, and the resulting recommendations and conclusions. A hardcopy of the presentation was given to those present.**

**Agenda Item 10: Presentation by Mark Therrien on RIPTA Ridership Update**

**Mr. Therrien gave a Powerpoint presentation on the next agenda item, which was an update on RIPTA ridership. Mr. Therrien gave a hardcopy handout of the Powerpoint slides to those present. The presentation covered RIPTA ridership and the continuing problem of overcrowding. RIPTA ridership is up 26% and we are experiencing more riders per hour. He stated that 62% of the riders do not pay a fare; a Rite Care or senior or disabled pass covers them. He elaborated on the slides discussing annual ridership, annual service hours and fixed route ridership. He described service adjustments and actions taken to address overcrowding on certain bus routes and the results of those actions. In particular he discussed changes made in the Pawtucket to Providence routes, 'short routing' of some peak trips in and around Olneyville, and challenges the planning department are addressing due to overcrowding on the Charles Street and Lincoln Park buses. Mr. Therrien discussed how we track ridership and challenges we are expecting like the opening of a**

Walmart in Providence, expansion at Lincoln Park and our expectation that Brown University and Roger Williams University will join the UPass Program. Most days' buses are running at capacity and a special event can cause a bus at or near capacity to become overcrowded. Al Moscola added that a new Home Depot and Walmart in Coventry has added to the problem along with a new apartment complex asking for additional service. Mr. Therrien said many of the new riders have turned to RIPTA due to rising gas prices and lack of parking and we have retained the new riders. Mr. Moscola stated that we are trying to address the increase in service and requests for additional service while keeping the budget in mind. He added that RIPTA's main function is to serve the public, and we do a great job with what we have. We need to try to help everyone, especially in the winter months and particularly the elderly, handicapped and working poor. Mr. Moscola added that he is glad we have more riders, however sometimes they show up and expect a bus to be immediately available. Another problem is unexpected changes such as a school letting students out early and not notifying us, which causes overcrowding. Mr. Moscola has been running the Authority as 'steady state' for a long time with no increase in buses or services. We are here to provide service and meet demands, but he also has to balance the budget.

Mr. Therrien then addressed the Ride program. The demands of ADA are increasing and ridership is rising there as well. Currently new scheduling software responses is being evaluated and in January staff will come before the board with an award request for approximately $1 to $1.5 million which will be covered by federal funding. Mr. Deller noted that ridership is up 11% from last year and asked where the riders came from. Mr. Therrien said monthly passes and cash paying riders are up, along with Ritecare and UPass riders. Mr. Deller asked that staff do a chart showing the last 12 months of monthly pass purchases and cash paying ridership. Mr. Batting asked if we could look into transporting riders across state lines. Mr. Therrien replied that in the New York and Philadelphia areas buses do cross state lines, however the got a waiver to do this 30 years ago. Mr. Batting stated that RIPTA should attempt to transport the cash paying commuters coming and going from the Boston and Seekonk areas. Mr. Moscola said he had asked Senator Reed and all legislators to help get a waiver from the federal motor carriers association, which so far they have not done. Additionally we would have to increase our insurance coverage by a million dollars if we crossed state lines. Mr. Batting suggested addressing the issue of buses crossing state lines to the Transit 2020 study.

**Agenda Item 11: Public Comment**

Mr. Deller continued on to Agenda item 11 and requested public comments. Mr. Deller recognized Stephen Farrell President of the Amalgamated Transit Union. Mr. Farrell said the situation with the overcrowding of buses has been widely report to him. Since 2004 ridership is up 24% and while the union understands the financial constraints this needs to be addressed. It is currently choose-up time and there are overcrowding issues regarding routes 20, 28, 50 and 54. Mr. Farrell would like to meet with senior staff before the choose-up is completed to discuss this issue. Finally, Mr. Farrell wished those present a Merry Christmas on behalf of the union.

Next Mr. Deller recognized Chris Wilhite from the Sierra Club. Mr. Wilhite said he sent a letter to the editor of the Providence Journal encouraging RIPTA ridership due to global warming and denser communities along transit routes. Mr. Wilhite characterized himself as a ‘choice rider’ that’s been left off of at least a dozen buses due to overcrowding. He is a Sierra Club volunteer and talked to RIPTA riders in September and handed out postcards, which were addressed to the governor, for riders to fill out about the situation. Mr. Wilhite said he would instead give those postcards to RIPTA staff. Mr. Deller responded that we are painfully aware of the overcrowding situation. It’s a financing issue and we need to promote transit for economic development.

Mr. Deller then recognized Almas Kalafian a paratransit rider and public transportation advocate. Ms. Kalafian stated our cities and towns don’t have enough of an investment in RIPTA. A blue ribbon report done a few years ago said some states have investment in mass transit. Ms. Kalafian is a Warwick resident and was upset that Warwick did not participate in the Transit 2020 study. She intends to contact Warwick officials about their lack of participation.

**Mr. Deller thanked everyone for their comments.**

**Agenda Item 12: Executive Session Adjournment**

**Mr. Deller moved that RIPTA adjourn to an executive session, as noticed in the agenda, under sections § 42-46-5(a)(1) and 42-46-5(a)(2) for the purposes of a claims matter. Mr. Kennedy moved to adjourn and to convene an executive session; Mr. Deller seconded the motion. A roll call vote was taken on the motion to convene to executive session. All Board members voted to convene the executive session.**

**Following the Board's return to open session, Bob Batting moved to seal the executive session minutes. Mr. Kennedy seconded the motion, which passed unanimously.**

**Agenda Item 13: Adjournment**

**Mr. Batting moved to adjourn the meeting; Mr. Kennedy seconded the motion, which passed unanimously.**

**Respectfully submitted,**

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**Ellen M. Mandly**

**Secretary to the Board**