

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

FINANCE COMMITTEE MEETING

Minutes of Meeting held Friday, January 16, 2009

Finance Committee Members Present: John MacDonald, Treasurer and Edward Field, Secretary.

Absent: Thomas Deller, Vice Chair

Also Present: Alfred J. Moscola (General Manager); Maureen Neira; Henry Kinch, Mark Therrien and Ellen Mandly.

Maureen Neira stated the purpose of the meeting was to discuss FY 2009 budget and she distributed a one page FY 2009 deficit reduction analysis which highlighted the budget updates some of which were made in recent weeks by staff and others as a result of the Governor's supplemental budget.

Mr. Moscola suggested voting on the minutes of the December 5, 2008 meeting before the budget discussion. Ms. Neira noticed that the minutes before the committee were not the final version and Ms. Mandly distributed the correct version of the minutes. After a review of the minutes Mr. MacDonald moved that they be approved. Mr. Field seconded the motion and the minutes were approved.

Ms. Neira discussed the changes made as a result of the Governor's supplemental budget saying Article 13 grants RIPTA an additional half penny from the gas tax collected on the underground storage tanks. She said that the way it is written, the State is earmarking the half penny this year, and will continue to do so going forward. The half penny will result in approximately \$2.2 million dollars in additional gasoline tax revenue for RIPTA. Ms. Neira assumes that the payment is for the entire year and will be paid retroactively if the supplemental budget passes. She stressed that all of the recommendations in the Governor's supplemental budget are subject to legislative approval.

Ms. Neira discussed GASB # 45 saying that article 4 of the Governor's supplemental budget defers the creation of the GASB # 45 trust until FY 2011 and leaves Ms. Neira no place to put the funds previously budgeted for GASB # 45. She briefly outlined the pay as you go trust that has been deferred by the State and how this delay affects RIPTA and answered questions on how this will be shown in the financials this year and in subsequent years. Ms. Neira consulted RIPTA's actuaries on how best to handle the \$500,000 designated for GASB and they suggested skipping the payments for FY 09 and FY 10 and beginning to make payments to the state trust when it is established in FY 2011. In the meantime she will continue with "pay as you go". Mr. MacDonald commented that this method makes sense.

Finally she discussed a \$5,000 reduction in RIPTA's debt service which occurred as a result of the State refinancing.

Next Ms. Neira discussed changes staff made in the areas of fuel, federal funds and service reduction savings. She said that when the budget was approved in December fuel costs were reduced from \$4.50 per gallon to \$3.60. Since the \$3.60 amount was approved fuel prices have dropped even more and the current average is now \$2.94.

Ms. Neira and Mr. Moscola discussed the erratic fuel prices over the last year and Ms. Neira said that for the first 6 months of the year the average price per gallon is now \$3.00 and if fuel prices remain below \$3.00 the yearly average will be even less. A discussion of the volatility of fuel prices and the difficulty in budgeting and explaining to the legislators ensued.

Following this discussion Mr. Moscola said that based upon research and historical fuel prices he believes the current proposed budgeted price of \$2.80 is good. Mr. MacDonald commented that \$2.80 is a reasonable price to assume and Mr. Field agreed.

Next Ms. Neira addressed savings of \$744,000 due to service reductions about to go into effect. She said the savings are in the areas of wages, fringe benefits and fuel, but noted there will be no layoffs due to equivalent retirement and termination vacancies.

Mr. Field asked about changes in revenues and Ms. Neira responded

that cash revenue from fareboxes has slowed, but this was taken into account in November before making modifications to passenger revenues. Mr. Therrien commented that the \$744,000 in service reduction savings is less than he had told the Board he hoped to achieve because he was not able to institute some reductions because they would have been too hurtful to the riders. Mr. Kinch said we need to keep an eye on the Medicaid waiver and Mr. Therrien agreed saying it has a tremendous impact on both fixed route and RIde. A brief discussion on possible changes to RItecare ensued.

Mr. Therrien briefly discussed federal stimulus dollars which may come to Rhode Island and Mr. Moscola said that projects are ready to be implemented if we get federal stimulus money and discussed a few of the projects. Mr. Therrien discussed the difference between stimulus funds and funds from the TIP.

Mr. Kinch asked Mr. Therrien to give a status report on transportation security funds. Mr. Therrien said the Transportation Security Administration (TSA) gave RIPTA \$2 million in grants and we are now in a position where we have received the funds but not yet spent them. He said RIPTA has no security and this is a problem because security is a mandatory requirement of TSA. Mr. Therrien stressed that if we do not comply with the security requirement in the next year the funds will be frozen. Mr. Kinch said some of the security grants require a 20% match which RIPTA does not have. Mr. Therrien added that FTA funding requires that 1% of our funds be spent on security

and we have a stockpile of about \$3 or \$4 million in unspent security funds.

Mr. Therrien said a security consultant was retained to assess RIPTA's security and make recommendations and we need to proceed in a year or two or risk losing the funds. The TSA has offered to assist us in implementing security measures. Mr. MacDonald suggested using the funds to hire an outside security firm and a discussion ensued regarding other solutions. Mr. Kinch summarized by saying the key component is hiring the right security professional for the job.

Mr. Therrien reported that Flex service would begin in Burrillville the next week and he described the new service to Zambarano Hospital. He said that for the first time RIPTA will pick up paying customers in Tiverton using a Ride vehicle and explained that previously Ride only transported people from programs such as ADA and DEA but now the general public can call and schedule a pickup using a Flex type service. Mr. Therrien called this a pilot program aimed at servicing veterans and said if it's successful it will be expanded. Mr. MacDonald said the program makes perfect sense.

Next Ms. Neira discussed two additional areas of federal funds discovered recently that have a significant impact. The first is a technical correction made to the December federal register listing RIPTA's federal funds. Ms. Neira said that when the new federal

register was issued in December staff saw additional operating dollars issued for the Newport area. Ms. Neira said these funds were previously available for the Newport area but the act authorizing the funds had sunsetted in FY 2007, but the act was resurrected. These fiscal funds can be used as operating dollars for FY 2009 and FY 2010.

Ms. Neira continued saying a new category from SAFTELU was created allowing RIPTA to draw down funds to reimburse ourselves for costs associated with the ADA. She explained that when the act was created in 2005 we were in the midst of a continuing resolution from the TEA 21 Act and never saw the change in the ability to draw down ADA funds. Ms. Neira said these two oversights were discovered by staff and the paperwork is being completed to rectify the oversight and the money will be received in this fiscal year and next year. Ms. Neira said the funds received will be significant and Mr. Field asked that the staff members responsible for uncovering the oversights be congratulated.

Mr. Field asked that service reduction savings be noted on the analysis and Ms. Neira said she would make the change.

Ms. Neira reported the deficit has been reduced from \$8.1 million in November to \$1.3 million and that if the committee is comfortable with what was discussed today she will present updates and the revised budget for approval at the January Board meeting. She noted

that at the last Board meeting the budget was discussed but not revised and it's important that the Board now approve the revised budget and new deficit amount. Ms. Neira said that technically she cannot make the changes until the Governor's supplemental budget is passed which won't happen until February. Mr. Field asked that the Governor's changes be showed in parenthesis.

Mr. Moscola added that the Board needs to approve the numbers so that staff can present the updated information to Chairman Costantino. Ms. Neira asked that the Finance Committee recommend the changes to the full Board. Mr. Moscola stated that the budget deficit is now \$1.3 million and we have five months to get it down to zero and he asked how to proceed. Mr. MacDonald said we would have to carry it over into FY 2010 and Mr. Field suggested waiting until the federal stimulus funds are received and make our determination then. Mr. MacDonald added that if fuel goes lower it could solve the problem. Mr. Field said that with luck we may eliminate the deficit without assistance.

The Committee discussed potential stimulus funds and the issue of GASB # 45 and Ms. Neira answered questions. Mr. Moscola discussed projects that have been postponed for years that he is ready to fast track if stimulus funds are received. Mr. Therrien said the biggest concern is the State taking back gas tax funds if we received stimulus money. Mr. Moscola and Mr. Therrien discussed comments regarding stimulus funds made by Sen. Reed during their

recent trip to Washington. Mr. Field asked if a stimulus discussion should be put on the January Board agenda and Mr. Therrien replied that a general discussion of stimulus should be on the agenda. Mr. MacDonald concurred that stimulus should be put on the agenda as a discussion item.

Ms. Neira said she would incorporate the FY 2009 deficit reduction analysis distributed today into the FY 2009 budget update staff summary for the January Board meeting. Ms. Mandly stated for the record that the Committee had approved the updated budget items and would recommend approval to the full Board at the January meeting. Mr. MacDonald agreed and said he would make the recommendation to the Board.

There being no further business a motion to adjourn the meeting was made by Mr. MacDonald. The motion was seconded by Mr. Field and the meeting was adjourned.

Respectfully submitted,

Ellen M. Mandly

Recording Secretary