

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

FINANCE COMMITTEE MEETING

Minutes of Meeting held Friday, June 4, 2012 @9:30 a.m.

Present: Michael Lewis, Chairperson; Jerome Williams and Margaret Holland McDuff

Also Present: Charles Odimgbe; Maureen Neira; Lilly Picchione; Mark Therrien; and Ellen Mandly and other members of RIPTA's staff and members of the public whose names are on the sign-in sheet.

Agenda Item 1: Approval of Minutes of March 2, 2012 Meeting Minutes

Michael Lewis called the meeting to order at 9:30 and asked if the members had an opportunity to review the minutes of the March 2, 2012 Finance Committee meeting. The members indicated they had. Mr. Williams moved that the minutes of the March 2nd meeting be approved as presented. Mr. Lewis seconded the motion and Ms. McDuff abstained as she was not present at that meeting. The minutes were unanimously approved.

Agenda Item 2: FY 2013 Operating Budget Assumptions

Agenda Item 4: Cash Flow Shortage and Amendment to Capital

Replacement Fund

Before the discussion on agenda items began, Mr. Odimgbe reported on RIPTA's recommendations to the Legislative Commission on Sustainable Transportation Funding. Maureen Neira distributed a handout detailing same and Mr. Odimgbe discussed the four recommendations: 1) in the FY 2013 budget include funding to begin addressing RIPTA's debt service, working to repay any future debt over a term aligning with the useful life of the asset; 2) Include Senate and House participation as part of the Comprehensive Operational Analysis; 3) In parallel with the COA, conduct a pricing analysis (update 2009 zone fare structure); and 4) Upon completion of the COA and pricing analysis, develop a comprehensive, sustainable funding approach for inclusion in the FY 2014 budget.

Mr. Odimgbe said that at the Commission meeting they touched on helping RIPTA with debt service but there is a misconception as to how much this will help us.

Next Michael Lewis asked Ms. Neira to begin by walking the Committee through each line item in the FY 2013 Operating Budget Assumptions. He said the goal today is to get an understanding of the amount of the operating deficit and then determine how to address it. He said it is critical that we firmly establish the projected budget deficit because no additional revenue is coming to RIPTA.

Ms. Neira began with the general overview on the first page which identified the FY 13 deficit as \$7.8 million. Mr. Lewis asked if this amount included the carryover from FY 12 and was told it does not include the \$1.4 million carryover, therefore the total deficit is closer to \$9 million.

Ms. Neira discussed the 3 revenue assumptions and said revenue is down \$1.5 million from FY 12. She then discussed the 7 expense assumptions in more detail and answered questions relative to the average cost of benefits and salary per employee, OPEB contribution, fuel costs and reasonable lock-in rates.

Next Ms. Neira gave an overview of account descriptions and the committee held discussion of our various fare structures and asked staff questions on the actual cost per customer, per ride, which varies by fare product, i.e., a UPass rider cost is different from a cash paying customer. A discussion of senior and disabled fares and the level of discount we provide for school service ensued. The CEO noted that RIPTA is mandated to provide a lot of service, (seniors and disabled) for which we are not paid and a lengthy discussion was held on our actual costs and how to address same. Following this discussion Mr. Lewis asked Mr. Therrien to send him the RI law on senior and disabled service.

Ms. Neira listed and discussed in more detail each of the account descriptions numbered 1 – 46 in the handout. Ms. Picchione

commented on #14 Federal Reimbursement – Preventive Maintenance saying last year congress passed a bill allowing us to use \$1 million of capital funds to offset fuel increases. Ms. Neira said this is already reflected in the budget.

Next Ms. Neira discussed wages and full time equivalents (FTE) and how the reorganization had affected the FTE numbers. She then touched upon each of the account descriptions briefly. Mr. Lewis asked about ADA operating expenses and Mr. Williams asked if a list of overtime by job category existed. Ms. Neira said it did and he asked that she forward him this list.

Ms. Neira said pages 8 – 11 show the budgeted line items in dollar amounts and indicated that we began FY 2013 with a \$10 million dollar deficit which is now at \$8.8 million. She concluded the FY 2013 operating budget assumption discussion by discussing the bond funding for buses.

Next Ms. Neira discussed the Cash Flow Shortage and Amendment to Capital Replacement Fund. She began by going over the excel spreadsheet detailing the projected cash flow issues for FY 2013 and explaining how we use the revolving fund to keep up with our cash flow issues. Ms. Neira explained that the bank revoked RIPTA's line of credit in 2011 therefore she needs to borrow from the capital replacement fund now. A discussion was held regarding deficit spending, which the Committee is not in favor of. Messrs William and

Lewis said people at the state budget need to understand that the cost savings RIPTA was able to implement were one time fixes and we will not be able to lower the deficit further in any significant way. They said this spreadsheet should be given to the state budget office.

At this point Mr. Williams left the meeting.

Agenda Item 3: FY 2013 – FY 2018 Capital Budget Assumptions

Ms. Picchione gave an overview of the FY 2013 – FY 2018 Capital Budget Assumptions. Ms. Picchione said the process began with a needs assessment, and department's submitting capital requests for new projects which get prioritized internally based on what we think we have in funds and then the assumptions are brought to Finance Committee and finally to the Board for an initial review and for approval in July.

She said that last year we began doing a large spreadsheet with all projects and this PowerPoint document is the larger version of that spreadsheet Ms. Picchione discussed each of the following titled items and the subcategories and read aloud the short description for each and answered questions:

1) Transit Development Plan: a) bus replacement; on-board security cameras & capital maintenance, b) paratransit, and c) non-revenue vehicles and maintenance equipment

2) Land and Buildings Repairs/Preventive Maintenance: a) Newport facilities, b) Elmwood facilities, c) Kennedy Plaza repairs, d) tunnel and e) future facilities maintenance

3) Land, Building and Transit Enhancements: a) Elmwood expansion, b) passenger amenity enhancements, and c) core connector

4) Information Technology: a) information technology replacement, and b) information technology enhancements

5) Planning Studies and System Development: a) comprehensive operational analysis, Newport tour bus management & rural service modals.

6) Safety and Security: a) radio interoperability and securing Elmwood

Ms. Holland McDuff said it would be helpful to have a document that gives a screenshot of the total dollar amounts, including local match.

Ms. Neira said to keep in mind that all the capital dollars that can be used for operating funds, are being used as such. Mr. Odimgbe noted that these capital budget assumptions are the first phase towards planning for the TIP.

Maureen Neira noted the agenda items 2, 3 and 4 require approval. Mr. Lewis agreed with moving today's Committee agenda items 2, 3 and 4 as discussed to the full Board. Ms. Holland McDuff seconded. Both Committee members noted their concern with the core connector line item saying it is included as a place holder for later years and not for approval. Regarding borrowing from the capital

replacement fund for cash flow purposes, Mr. Lewis suggested meeting with the budget office this week to further discuss the implications.

Agenda Item 5: Old Business

No old business was discussed.

Agenda Item 6: Public Comment

Abel Collins of the RI Sierra Club was recognized and began by thanking the Finance Committee members for their efforts. He said he had no idea how bad RIPTA's cash flow situation was prior to today's discussion. Mr. Collins believes a one-time cash infusion is the answer to the cash flow problem. He believes the legislature does not clearly understand RIPTA's funding issues and he said he will be working hard to get the word out.

Agenda Item 7: Adjournment

There being no further business Ms. Holland McDuff made a motion to adjourn. Mr. Lewis seconded the motion and the meeting was adjourned.

Respectfully submitted,

Ellen M. Mandly

Recording Secretary