

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

Finance Committee

MINUTES OF Wednesday, August 6, 2014 MEETING

Committee Members Present: Director Michael Lewis, Jerome Williams and Margaret Holland McDuff.

Also Present: Raymond Studley, CEO; Karen DiLauro, Executive Director Finance and Budget; Marie DiToro, Recording Secretary and one member of the public whose name may be found on the attendance log.

Agenda Item 1: Public Comment

Director Lewis calls the meeting to order and asks if there is anyone who would like to speak under public comment and with no response Director Lewis moves on to agenda item 2, Revised FY 15 Operating Budget.

Agenda Item 2: Revised FY 15 Operating Budget

Director Lewis states that this was presented briefly at the last Board Meeting, and suggests that they go over a summary discussion and then go into the comments and questions the Board Members have in regards to the Budget.

Ms. DiLauro states that the revision basically consists of a reduction in the deficit from \$854,000 to \$451,000. The biggest change is the reorganization that took place. They started the restructuring process thinking that the One Solution would be going live at the beginning of the fiscal year, however there was a delay and it will be running parallel in September and will go live in January 2015. There are three new departments, Legal, Security and Inventory with new personnel coming on board as well. RIPTA expects significant cost savings with the addition of these departments and already see this happening with the arrival of Mr. Salzillo as Chief Legal. Inventory control did have write-offs and will for the next year, however there will be tighter controls on the ordering process going forward that will save RIPTA money.

Mr. Studley states that Mr. Chadwick projects that RIPTA can cut in half the parts ordered by the end of this fiscal year.

Federal Revenues have been running under budget over the past year. Ms. DiLauro states she has reduced federal revenues by 5.8% in this budget however there is a campaign to do mid-life work on the 2009 buses that will be split between this year and next. Also, there are significant planning programs that will come through federal reimbursements. The only area that will see a significant increase would be in the miscellaneous federal which is where RIPTA would get reimbursed for those expenses. Passenger revenue is where the greatest increase is seen due to the reduction of miles that students will have to walk to school in Providence. There is no fare increase in the budget.

Mr. Studley discusses the fare study that is underway and RIPTA is trying to get to a cashless system that would help in the long run as well.

Director Lewis asks about an update on the diesel pricing. Ms. DiLauro responds that RIPTA is locked in through March 2015 at \$3.2325 then beginning March 1st through October 2015 RIPTA is locked in at \$3.16; the budget does reflect each of these locked prices. Ms. DiLauro states that they are looking to lock-in further however cannot lock-in beyond June of 2016 because the contract will be up. Director Lewis asks if this price includes federal tax and Ms. DiLauro responds yes.

Mr. Studley states that one area that he and Ms. DiLauro discussed was how RIPTA pays by volume based on ambient temperature. That is the system which is in place. It is based on 63% degrees? ambient temperature. Could get 10,041 gallons in warmer weather and get only 9,850 gallons. Mr. Studley states that this is being looked into and tracked closely.

Mr. Studley states they are working on getting in control of the OPEB. As of September, the State of Rhode Island is getting out of retiree healthcare and is going from a claims-based system to a premium-based system. RIPTA's contracts with the collective bargaining groups states that RIPTA employees will receive the same healthcare as a state employee under the same terms and conditions. RIPTA met with United Healthcare on this as well to see what options RIPTA has. Mr. Studley states that he and the staff are working out the details of what the best action plan would be.

Mr. Williams is looking on page B-1, at federal salaries and fringe benefits verses non-federal salaries and fringe benefits and asks if this is just a shift from one to the other? Ms. DiLauro responds that yes it is. There were never federal accounts prior to her taking over the budget, so the first year she did this she estimated and is now making the changes based off a year's worth of history to go by.

Mr. Williams asks what is budgeted for overtime and Ms. DiLauro responds on page C-1 it shows \$2,225,802. This is only scheduled overtime. For fixed route it is \$1.7 million; however, with the cut back in Paratransit, there was no overtime budgeted which may have been a little too aggressive. This will be a work-in-progress as everything gets ironed out with Logisticare.

Mr. Studley states that he is working toward getting the Paratransit drivers trained in advance to drive on the fixed route side so when fixed route drivers retire RIPTA can easily take a Paratransit driver, provide a refresher course, and transfer him/her to the fixed route and then backfill on the Paratransit side.

Mr. Studley states that there is federal money to bring in a disability manager consultant to help determine how to improve long-term absences from a Human Resources standpoint. He continues to discuss the concerns of excessive absenteeism which causes overtime at RIPTA and the direction that management is looking to take to help correct this problem.

Mr. Williams would like to turn to B-3 under Legal and Risk Management and asks why the increase and Ms. DiLauro responds that settlements have been increased.

Ms. Holland McDuff asks how that number is estimated and Ms. DiLauro responds that she receives a list of all potential settlements from Claims and Legal which are broken down by each case with a projected amount and timing. Some of the accruals have been increased because RIPTA is self-insuring for Paratransit workers' compensation now. Overall, the expenses should be down \$100,000 by self-insuring.

Mr. Williams states that this is a projection for the upcoming year and not an average of the last three or four years and Ms. DiLauro responds that is correct.

Mr. Studley states that other transit agencies which have gone to a camera system indicate their number of personal injury claims went down about 68%.

Mr. Williams moves on to page B-4, under utilities, and wonders why there is a significant increase. Ms. DiLauro responds that electricity last year was much higher than originally projected and thinks she was a bit aggressive in cutting the estimated cost savings when the solar roofs were put on and the rates all increased. This number is a reflection of last year's history only.

Mr. Studley states that this was discussed this morning at the staff meeting as well and an audit is being done of all LED lighting. There is no cost to RIPTA for the audit. He also mentions that the cost savings for the Solar Roof was at \$53,000 and the projected savings were between \$50,000 and \$55,000.

Mr. Studley states that RIPTA pays the bill for the lighting in the tunnel and that neither he nor Ms. DiLauro was aware of that when estimating costs in last year's budget.

Mr. Williams moves on to the personnel supplement and asks how Ms. DiLauro budgeted for turnover. Ms. DiLauro responds that there are some positions that would not be filled for the entire fiscal year. This is all assigned definite positions and not based off an average. Ms. DiLauro states that last year there were 826 FTE's and in FY15 there are 817 FTE's.

Mr. Studley states that one of the biggest issues will be Paratransit. They have reduced the number of drivers with the arrival of Logisticare and now RIPTA has found out that Maher, which handles the East Bay area for RIPTA, will no longer do this effective as of the middle of September.

There are still issues being worked out with DHS and Logisticare that will impact the number of FTE's and the budget over the next year.

Mr. Williams moves on to page D-3 under Administration, Professional Services there is \$150,000 listed there and Ms. DiLauro responds that there used to be ADA announcement checks and it was listed under the Transportation Budget at that time. This is a new contract because RIPTA did not expect to need them under the new system. Mr. Williams responds that he too did not think it was needed and had been asking about it at the monthly Board Meetings. Ms. DiLauro states that with the arrival of Jim Vincent, Compliance Officer, it is in his cost center now which falls under the CEO Budget. Mr. Williams thought this fee would be removed once ATMS was up and running. Ms. DiLauro states that they thought so as well and didn't realize that there were other ADA checks besides announcements that are supposed to be done that have been brought to their attention from the ATAC Committee.

Mr. Williams states on page D-4 under Finance and Budget, actuarial valuations, and asks if this for the Pension system and Ms. DiLauro responds that yes it is for Pension and also for the actuary studies that RIPTA has had done for the OPEB. Mr. Williams asks if this is an allowable expense within the Pension Fund itself, and Ms. DiLauro responds she does not know and will look into this and get back to them.

Mr. Studley states that they would often question the actuarial results and asks if they can have an outside company review the results when he received them.

Mr. Williams asks if RIPTA has ever bid the actuarial service out and Ms. DiLauro is not sure and will look into that as well.

Director Lewis is on the same page looking at in-state travel under Budget and Finance and Ms. DiLauro responds that is for tolls.

Mr. Williams moves on to page D-5, under Maintenance, Pension Cost seemed to go way up and wonders why and Ms. DiLauro states that it could be the difference between the way it was presented last year verses this year, however she will look into this as well and email the members with her finding.

Ms. Holland McDuff is on page D-6 there is an addition of \$100,000 for Legal and Ms. DiLauro responds that is because it was moved from Administration to its own department under Ben Salzillo, Legal.

Mr. Williams moves on to Page D-7, he assumes the Ozone Advertising is mandated? Mr. Studley responds that this was projected based on past years however there have not been any this year. The Attorney Generals office provided a \$50,000 match and called Ms. Pettine this past Monday and stated that if there are no Ozone Days that they would like their money back. Mr. Studley responds that this program really should be discontinued; however, this year was supposed to be a tracking year of usage to help come up with alternative programs and without having any to date, which is not happening.

Mr. Williams states that it would be nice if these were considered a public service announcement that the media would cover.

Ms. Holland McDuff notices a lot of revisions on uniforms and Ms. DiLauro responds that Paratransit has changed their uniforms to be more consistent with the Flex Route. She also states that previously uniforms were under laundry accounts, contract services and other random accounts that Ms. DiLauro has consolidated it all under one Uniform account for uniformity.

Mr. Studley adds that previously a Paratransit Driver was not allotted money for a Jacket like Fixed Route drivers were, and Mr. Studley states that it is crucial for these employees to have jackets seeing how these drivers are in and out of their vehicles all day long and it lets people know in the winter time that this is a Ride Driver coming to pick them up. Ms. DiLauro adds that except for the shirts, the rest of the uniforms can transfer over to the Fixed Route side.

Mr. Williams' moves on to page D-9, under Security and Admin Services, Straight Time, is up by \$400,000 is that a clean up as well? Ms. DiLauro responds that the street supervisors were under transportation and the money room employees were under Finance in the past and now both are under Security.

Page D-10, under IT, Mr. Williams is looking at Maintenance Agreements, is this because of ATMS? Ms. DiLauro responds it is because of a series of things and next year it will go even higher. As all of the new technology RIPTA has implemented is coming out of warranty; RIPTA has to pay for maintenance agreements.

Mr. Williams moves on to page D-13, under cellular phone services is this all the cell phones that RIPTA employees have? Mr. Studley responds that a big chunk of this is in Paratransit because they are still using cell phones for everything and with Reveal Software implementation, he is hoping this number will go down significantly. They will be using tablets with the new system. Ms. DiLauro adds that the tablets are in this number as well because it is also a data plan. Mr. Williams offers up a suggestion of a stipend policy, however the increase makes sense due to the additional tablets.

Director Lewis asks Ms. DiLauro and Mr. Studley if there is anything that the Board did not ask that they think should be known. Ms. DiLauro responds that all the significant areas have been addressed. Mr. Studley responds that as he and the senior management continue a reorganization of the Authority he has also posted for a Public Affairs Officer (PAO) to be a conduit to the media and oversee the marketing department. That is an 80/20 split so 80% of it will be paid with federal funds. Mr. Studley also mentions that there may be some realignment of the customer service department as well. Currently Mr. Pereira is running this department and Mr. Studley would like to move this under the PAO. He is also working with Rhode Island College on assessing the needs of the Customer Service Department.

Director Lewis makes a motion to approve the Revised FY 15 Operating Budget to be brought back before the Board at the next meeting for approval. Mr. Williams seconds it and it passes unanimously.

Director Lewis states that this is really a night and day transparency and knowledge of the running of the Authority that has been brought before the Board.

Mr. Williams states it is a real pleasure reviewing budgets now that was not there a few years ago.

Agenda Item 3: Adjournment

Director Lewis makes a motion to adjourn the meeting. Mr. Williams seconds and it passes unanimously.

Respectfully submitted,

Marie DiToro
Recording Secretary