



**MASS TRANSPORTATION AUTHORITY
MINUTES OF THE FEBRUARY 25, 2010 BOARD MEETING**

PRESENT: Paul Newman, Chairman, Paul Luttenbacher, Mike Zelle, Richard Abrams, Jamie Curtis, Maxine Murray, Pastor Seon Thompson, Sheldon Neeley (Arrived at 8:09 A.M.)

STAFF: Robert Foy, Suzanne Shepherd, Jerry Ragsdale, Lynn McLean, Terry Jurens, Ed Benning

GUEST: Alan Panter, Abraham & Gaffney, James Owensbey, Gary Mitchell

ABSENT: John Northrup, Gregory Eason

Chairman Newman called the meeting to order at 8:03 A.M.

Comments of the Public None

Mass Transportation Authority FY 2009 Audit

Mr. Foy stated that this is the annual audit that covers the period of October 1, 2008 through September 30, 2009. Abraham and Gaffney is the audit firm that has been engaged to complete the audit. They have also given a presentation of the audit previously to the Finance Committee.

Alan Panter, Abraham and Gaffney stated that, as this was their first year of being MTA's auditors that the audit went very well. The staff was very easy to work with. There is an independent auditors report. The purpose of the audit is to give an opinion on your financial statements. This is a clean opinion, which is the best opinion you can get. It means that the statements are formatted properly in accordance with proper accounting standards and the numbers are good.

Mr. Panter went over the Statement of Net Assets, which is a snap shot as of September 30, 2009. Accounting principals for MTA calls for accrual base accounting. Two things to focus on is liquidity and net assets. The difference between the total current assets and total liabilities is called net working capital. That is the measure of the organizations ability to meet its obligations with the current available funds. Right now that stands at about \$4.3 million. Last year it was at \$2.8 million so there has been an increase in MTA's liquidity. The biggest component of that is the line of credit. Last year it was \$1.5 million and this year that is zero. The net assets are broken up in three categories. First being Invested in Capital Assets. That is basically the facilities, buses, equipment that is needed to run the organization. The Restricted

for Self-insurance is an amount that has to be set aside for reserve for losses because the MTA is self-insured. The third category is the Unrestricted Assets. This is the amount available for future use. We measure the adequacy of unrestricted as a percentage of operating expenses. We recommend 12-15 percent of operating expenses. This year the MTA's unrestricted assets are sitting at 9.9 percent of operating expenses.

Operating revenues were up about \$400,000 this year at \$4.7 million. This is basically MTA's farebox revenue. Operating expenses were almost \$26.9 million. Down from last year by about \$1 million. The biggest component was the savings in fuel. The non-operating revenues are basically the taxes and all the intergovernmental sources of revenue that the MTA receives. Total non-operating revenue was \$23.5 million.

Mr. Panter showed a few graphs. They consisted of a five-year comparison of revenue, expenses and unrestricted net assets; a quick ratio; unrestricted net assets as a percentage of annual expenses; operating and non-operating revenues and operating expenses.

Mr. Foy stated that it is important to point out that eight or nine years ago MTA had a \$4.2 million deficit. It was the decision of the Board that we really needed to build up a reserve in the unrestricted area. We have over the years moved from a \$4.2 million deficit to a \$2.6 million positive. In our conversation with the auditors we have reached the conclusion that we need to have about 15 percent of our operating expenses, which is about \$4 million. We are going to continue working towards building the unrestricted assets up to about \$4 million. We would like to get to that level within the next three years. This helps in the amount of interest that we have to pay. Many times when we don't get our grants until May or June and we have already spent a portion of it because we are eight or nine months into the year, we have had to borrow on our line of credit. With having the reserve we have reduced having to use the line of credit.

Mr. Panter stated that the single audit shows that there were no federal compliance issues and that the MTA is a low-risk auditee. There was one initial control finding that had to do with segregation of duties. The direct deposit for payroll was not being reviewed by management at the time of making the direct deposit by the payroll clerk. A new procedure has been put into place to correct this finding.

Minutes of the January 28, 2010 Regular Board Meeting

Mr. Zelle moved, supported by Mr. Abrams to approve the minutes of the January 28, 2010 Regular Board Meeting. Motion passed unanimously.

Minutes of the January 26, 2010 Finance Committee Meeting

Mr. Abrams moved, supported by Mr. Luttenbacher to approve the minutes of the January 26, 2010 Finance Committee Meeting. Motion passed unanimously.

Mr. Abrams stated that Agenda Items 3, 4, 5, 6 and 7 were all reviewed by the Finance Committee and the Finance Committee moved for recommendation for approval by the full Board, therefore Mr. Abrams moved all of the Resolutions. Mr. Neeley supported.

Chairman Newman stated that the Board will take questions and discussion on each of the Resolutions.

Resolution #10-14 by the Mass Transportation Authority Board of Directors to authorize the General Manager to enter into an agreement with Jewish Community Services, in an amount not to exceed \$54,072.00, to provide door-to-door and door-through-door senior transportation services and bilingual services for Limited English Proficiency (LEP) clients who speak Russian, Ukrainian, Bulgarian, Hindi and other Asian Indian languages in compliance with Federal Regulations for a period of one (1) year.

Mr. Foy stated that the purpose of this service is two fold. We are required by law to have the capability of providing bilingual service for people who do not use English as their primary language. We contract with Jewish Community Services who already has an extensive bilingual capability. They provide this service for us. In addition they provide door-to-door and door-through-door service for the senior population that is primarily involved with the Russian immigrants within the community because many of these individuals do not speak English as their primary language.

Resolution # 10-15 by the Mass Transportation Authority Board of Directors to accept the fiscal year 2009 audit as presented by Abraham & Gaffney, P.C.

Resolution #10-16 authorizing Robert J. Foy, General Manager to purchase and install a Rapid Rollup Door for the Mass Transportation Authority's Maintenance Garage, from Quality Overhead Door, in an amount not to exceed \$22,414.00.

Mr. Foy stated that this is a replacement door. Because we have vehicles going in and out the doors on a very frequent basis the current door is worn out from so many cycles. This is a normal replacement activity.

Resolution #10-17 authorizing Robert J. Foy, General Manager to purchase Property and Inland Marine Insurance, from Smith-Peabody-Stiles Insurance Agency, representing Selection Insurance Group, for a period of one (1) year, in the amount not to exceed \$39,531.00 for 2010, with the option to renew for 2011, in an amount not to exceed \$39,531.00, and an option to renew for 2012 in an amount not to exceed \$39,531.00.

Mr. Foy stated that this is the insurance that we have on the property that we own. We had asked for a three-year proposal but because of the circumstance that we only had one response, we want to go back and take a look at this after one year and see what we can do to get more bidders. There are only a few people who actually do this insurance but there are a lot of brokers that will go to the same insurance company for a quote. The net effect is that once the insurance company has given a quote to a broker they won't give it to another broker. We are going to see how we might be able to stimulate some competition so therefore we are asking to award the contract for this year only.

Resolution #10-18 authorizing Robert J. Foy, General Manager to issue Amendment Number One (1) to Securitas Security Services, to provide additional security services until May 31, 2010 at the MTA downtown Transfer Center and the Dort Highway Inter-modal Service Facility, in an amount not to exceed \$100,000.00.

Mr. Foy stated that this is an addition to the present contract. We had competitively bid this service and we established what the original rates were by the hour. Because of circumstances that occurred within the organization, part of it was covering the Amtrak facility and additional service needed in the downtown Transfer Center, our current contract allocation is not going to be adequate to cover us for the twelve- month period. We are asking for an extension of an additional \$100,000 to be able to cover expenses under the current contract.

Mr. Zelle asked what caused the increase?

Mr. Foy stated that it was an increase in the number of hours. At Christmas time we put up a Christmas display in the downtown Transfer Center. We had to have security personnel in there all the time. That was not in the original budget. Also the weather affects how much security we have to have.

Chairman Newman stated that we have a motion and support on the table to approve agenda items three through seven. Motion passed unanimously.

Chairman Newman turned the meeting over to Mr. Abrams as he had a plane to catch.

General Manager's Report

Mr. Foy stated that his written report will stand as written. At the State level we have a \$1.6 billion deficit that they are looking at for 2011. 2011 is the year that we are starting to focus on now. We were happy that through conversation with the Governor's office we were able to sustain the funding that we got in 2010 for 2011.

At the Federal level we are dealing with two issues. One is phase two of the stimulus package and how that will come out. The House passed a stimulus proposal for \$180 billion. The Senate has been going through their portion of the stimulus package and they're at about \$19.5 billion. The concern that we have is that in the House version there was \$37 billion that was going to be for transportation. Of that, \$8.4 billion was going to come to transit. It was going to be distributed by formula, which would mean that we would have gotten approximately \$8-10 million. Clearly a \$19 billion stimulus package will change that number significantly. There will have to be a conference to come to some agreement if the Senate passes a \$19.5 billion stimulus package.

From the standpoint of the other funding that we would normally receive for FY 2011, the administration is proposing significant changes in the way money will be allocated. We have barebones proposals on how they want to change some things but we don't have the detail to really understand what the impact will be.

Mr. Foy also stated that in a normal year the MTA may get \$12-15 million in capital funding. Many times it takes us awhile to be able to do all of the planning. At the present time we have a partnership with Michigan State University for doing research and development. In addition, we have a partnership with MotoTech, which are Kettering professors that are doing the commercialization associated with the technology that we are developing. Our role is to do the testing. Once the testing is completed we go to a private firm who will become the integrator and take that technology and put it on our buses. This effort has been going on for almost three years. We are reaching a conclusion with regard to an advanced design of a diesel hybrid power plant. If you went to the marketplace to buy a new vehicle and you wanted hybrid technology you would get about a fifteen percent improvement. With the effort we are doing we have been able to determine that the improvement will be about forty-fifty percent. We see this as a job creator here in Genesee County. At the same time our goal is to transition from diesel hybrid on through to CNG hybrid. The reason for that is that about 85% of all of the CNG or natural gas comes from within our fifty states. We are working on moving that transition to eventually looking at an affordable hydrogen power plant.

From a standpoint of our action plan, on our primary fixed routes we are completing the development of the advanced hybrid, which should be done within the next sixty to ninety days. At the same time we are paralleling along and designing a hydrogen generation fueling station. We have the approval for a hydrogen fuel cell vehicle. This will be a test vehicle. We intend to operate the diesel hybrid New Flyers up to about the year 2020. We are doing that while we are continuing to develop the energy source to operate the hydrogen technology. We are constructing a CNG storage and maintenance capability that will be part of the City biogas program. We are intending that we will be purchasing new vehicles for our peak period routes that are CNG hybrid. Our para-transit vehicles, because of the fact that the usual life is only about seven to ten years, we will convert all of those over to CNG.

The advanced diesel hybrid conversion will take place in the year 2010-2011. We will have those vehicles out through 2020. We will have the facility upgrades in 2011 through 2013. The timeframe of 2011 through 2015 we will be purchasing replacement CNG hybrid vehicles. We will also be purchasing replacement CNG vehicles for our small vehicles during the same time period. The construction of the hydrogen generation facility will take place in 2010-2011. The organization goal is to convert our facility over to primarily a CNG organization by the year 2015.

Mr. Curtis left the meeting at 9:12 A.M.

Mr. Neeley asked if the current staff would be doing the maintenance on the vehicles or would we have to outsource it?

Mr. Foy stated that we have a contract with Kettering University for them to do training for our maintenance people and training for our drivers in terms of the conversion.

Mr. Zelle asked if there was any other authority that is aggressive as this with natural gas and hybrid?

Mr. Foy stated that there are authorities that have natural gas. We are probably several steps ahead of where others are at with respect to the advanced hybrid technology.

Acting Chairman Abrams ruled that the General Manager's Report be received and filed.

Mass Transportation Authority FY 2010 1st Quarter Performance Indicators

Terry Jurens, MTA Grant Manager stated that the MTA picks several performance indicators on a real basis. We go through an annual planning, programming cycle and in the development of our plan we also develop the performance indicators that we will measure ourselves against each year. We have kept the same performance indicators for about the last three years. This is helpful because we can get some comparability and see how well we are doing this year versus the previous years. We try to pick performance indicators that measure different aspects of the organization that we think are important. There are other performance indicators that could be chosen and we are open to any thoughts that the Board might have. The performance indicators are measured on a quarterly basis. The numbers here are for the first quarter October 1, 2009 through December 30, 2009. We have set some fairly aggressive goals for the year in terms of our operating cost.

Mr. Neeley asked if one of the performance indicators was on time delivery service for fixed routes?

Ms. Jurens stated that we do not have that as an indicator but we could put it on our list. The last time we did measure it we were over 95% on time.

Mr. Neeley asked that we have this as a performance indicator.

Acting Chairman Abrams ruled that the Mass Transportation Authority FY 2010 1st Quarter Performance Indicators be received and filed.

Mass Transportation Authority Quarterly Investment Report (October-December, 2009)

Jerry Ragsdale, MTA Assistant General Manager, Administration stated that Governor Granholm initiated this report a couple of years ago. State legislators are requiring public agencies to report quarterly to their Board of Directors or counsels their investment report. As we are all aware the national economy is affecting the gross domestic product and our reinvestments and imports that the State receives as opposed to we what we export. On the unemployment issue we went back to January 2008 and at that time the county unemployment rate was at 9.5 percent. Through December 2009 the unemployment rate in Genesee County has risen to 16.6 percent. This is only active individuals in the database. There are a lot of people who are no longer able to receive unemployment so the number is actually higher. Our liquid asset marketing funds, which is our reserve account for liability, stands at \$776,000 due to a

serious accident that happened on I-69 last year that we had to pay, even though it was not our fault.

Acting Chairman Abrams ruled that the Mass Transportation Authority Quarterly Investment Report be received and filed.

January, 2010 Income/Expense Statement

Mr. Ragsdale stated that our farebox revenue is about \$140,000 under estimate. This budget was put together over eighteen months ago. With that we are monitoring the budget and we will be bringing some adjustments to the Board in the near future. Non-transportation revenue, the major issue is vehicle advertising where we are below because of the economy. Dedicated tax revenue is ahead by about \$914,000. The assessment division at the county is predicting a reduction of at least 11-12 percent in 2011. In State cash grants the issue again is the operating assistance-urban area. Originally when the State projected our revenue it was higher than what we actually received. In the other state jobs program, originally the State, in addition to the \$1.1 million, said they would provide us an additional \$250,000. However, they were not able to do that. Federal cash grants we are receiving a little more than projected for preventive maintenance. Total revenue is actually ahead of projection by almost \$637,000.

In expenses the managers are doing an excellent job of controlling the cost and we are \$301,000 under budget. Our net income is almost \$1 million over our original projection.

Acting Chairman Abrams ruled that the January 2010 Income/Expense Statement be received and filed.

January, 2010 Ridership Statistic Report

Ed Benning, MTA Assistant General Manager-Services stated that the ridership in January was 481,707 passengers. We are down about 1 percent. We actually traded over a weekday for a Sunday this year in January, so as a result that would affect the ridership slightly. For the year we have a ridership of 2,001,238. On our fixed routes we actually came in at 364,543 passengers, which is just up slightly from last year. On the Miller-Linden route we were up 10,000 passengers. We are hopeful that this indicates that some of the service workers are going back to work.

On the peak period routes we had ridership of 54,704, up 16 percent. Regional transportation had ridership of 14,108. For the last four months however, the ridership has been increasing on those routes, which is directly related to the riders going up to Saginaw and the reverse commute passengers where they actually work in Genesee County and live in other areas.

Curb-to-Curb ridership was 48,352, down 18 percent. On Senior Care we had 2,777 passengers. We are within budget but slightly down on ridership.

Acting Chairman Abrams ruled that the January 2010 Ridership Statistic Report be received and filed.

January, 2010 Complaint Statistic Report

Mr. Benning stated that we had 5.4 complaints per 100,000 passengers for 26 complaints for the month of January. Driver conduct remains the highest complaint and we continue to send our drivers back through training.

Acting Chairman Abrams ruled that the January 2010 Complaint Statistic Report be received and filed.

Comments of Board Members None

Adjournment

Meeting was adjourned at 9:50 A.M.
