

**CONNECT TRANSIT
BOARD OF TRUSTEES
BUDGET WORK SESSION PROCEEDINGS OF MARCH 19, 2015**

The regular meeting of the Board of Trustees of Connect Transit was held at the Connect Transit Board Room #135, 351 Wylie Drive, Normal, Illinois 61761 on at 4:00 p.m.

TRUSTEES PRESENT: Bill Wilson, Chairman
 Mike McCurdy, Vice-Chairman
 John Bowman, Secretary
 Judy Buchanan
 John Thomas
 Ryan Whitehouse

TRUSTEES ABSENT: Felicia Shaw

STAFF PRESENT: Andrew Johnson, General Manager
 Patrick Kuebrich, Finance Director
 Carl Rokos, Director of Maintenance
 Julie Phillips, Executive Assistant - Labor Relations

The meeting was called to order by the Chairman at 4:02p.m. Roll call was taken.

PUBLIC COMMENTS

None.

DISCUSSION OF 2016 BUDGET

General Manager Andrew Johnson stated that this Work Session had been scheduled to discuss the upcoming Fiscal Year 2016 Budget. Staff was looking for guidance from the Board of Trustees on the best way to consider the varying budget scenarios, based on potential State or Federal funding cuts.

Staff provided the Board with a copy of the Fiscal Year (FY) 2015 Total Annual Budget, the FY 2015 Year to Date January Actual Budget and the 2016 Proposed Budget to use as a reference point. Mr. Johnson reminded the Board that the new State of Illinois Governor, Bruce Rauner has proposed significant funding cuts to downstate transit agencies. It remains to be seen what, if any cuts will be made, however, two of the proposed funding cuts would require statutory passage by the state legislature.

Mr. Johnson began the with a review of the status quo proposed FY 2016 Budget. He noted that the proposed budget did not include any increases in services; however it did include some increased expenses. The largest increase is in the Operations Wages line item. The increase included primarily Bus Operator wages, overtime, vacation, etc. There has been a significant increase in the Paratransit Service which has required additional drivers to provide the service. Additionally, there have been significant increases in overtime wages due to illnesses.

There are some modest increases in the Maintenance and Administration line items.

Mr. Johnson stated that there was a large increase in group insurance premiums. Staff had just learned earlier in the day that the renewal will be even greater than what is in the proposed budget and that group insurance renewal would be increased by 41%. This is directly related to an aging work force and four (4) catastrophic illnesses, resulting in approximately \$1.3 Million dollars in claims. Staff would be looking for ways to mitigate the additional cost and did not anticipate that Connect Transit would absorb the entire increase.

Mr. Johnson noted that the only other increases that really stood out included the Outside Repair and Labor and Bus Repair Parts line items. The system becoming more costly to repair and keep operational. There is a five (5) year process in place to replace them. Five (5) new buses are expected in the coming months.

Trustee Judy Buchanan questioned the Employment Expenses line item. Mr. Johnson responded that the increases are due to pre-employment physicals and drug testing, etc. Connect Transit has employed more people and has stepped up its background screenings to ensure that its candidates are up to task.

Vice Chairman Mike McCurdy questioned the increase in the fare revenue. Mr. Johnson responded that it was due to an increase in ridership.

Chairman Bill Wilson questioned the increase in the Custodial Services line item. He noted that there is a 50% increase in the proposed budget over 2014. Carl Rokos, Director of Maintenance responded that it was due to a variety of maintenance requirements for 2015. An example is the need to replace the synthetic transmission fluids in several vehicles. Another example is the need to strip and re-varnish the facilities floors. These are expenses that do not occur annually but are needed in the upcoming budget year.

Trustee Judy Buchanan questioned if the State and Federal Support Operating Revenues were projected to be business as usual. Andrew Johnson, General Manager affirmed. The projected revenue did not include the funding cuts in Governor Rauner (3) scenarios in his proposed budget. The first is to rollback funding for all downstate transit agencies to their 2014 actual spending levels. The second is to shift the percentage of operating support from 65% of gross eligible expense to 55% of gross eligible expense. The third and final option is to adjust the formula by which public transportation is funded from 3/32 of the transportation fund to 2/32 of the transportation funds.

Mr. Johnson explained the different effects each funding cut scenario would have on Connect Transit budget. He noted that the proposal to roll back funding to the 2014 actual spending levels was the least detrimental to Connect Transit decrease in the service levels that Connect Transit currently provides.

Mr. Johnson stated that the need for local funding was even greater. Vice Chairman Mike McCurdy agreed and stated that a 20% cut in service would begin a death spiral for Connect Transit. Mr. Johnson stated that the Governor budget is the beginning of a great adjustment period for how downstate transit agencies are funded and do business. He stated that in terms of providing consistency of service and to maintain a momentum, local funding would be needed to keep moving forward.

Chairman Bill Wilson stated that it is important that the municipalities understand the importance of public transit to the community. He did not advocate for reducing services but it would be necessary to look for efficiencies in conjunction with increased local funding.

Vice Chairman Mike McCurdy echoed Chairman Wilson and stated that staff would need to use a fine toothed comb to find cuts in the budget in order to demonstrate that the agency is doing everything it can to operate as efficiently as possible with the funding available.

Mr. Johnson agreed and reminded the Board that fares have not been increased since 2007. Additionally, Illinois State University students make up 35% of Connect Transit. Transit lay the groundwork for a student referendum and put the cost of the service into the student

Vice Chairman Mike McCurdy questioned if there were any other economies in the proposed 2015 budget. Mr. Johnson responded that there were a few however; staff did not roll out a budget that had a lot of fat. There were a few areas where adjustments could be made if cuts were necessary. He reminded the Board that Connect Transit had been understaffed, the current staffing levels are at a level that the agency should have been at ten (10) years ago. All current positions were needed. There was room to freeze wages and/or freeze hiring additional employees if necessary.

Vice Chairman Mike McCurdy questioned if fares were to be increased what a realistic increase amount would be. Mr. Johnson responded a \$.25 increase would be realistic, raising the current rate from \$1.00 per ride to \$1.25 per ride. Mr. Johnson reminded the Board that the new fare box system would have greater flexibility for fare collection, which included stored fare cards that would allow easier payment at the fare box, where the rider would simply swipe their card to pay the fare.

Trustee Judy Buchanan questioned if Mr. Johnson had begun building a case for requesting additional local funding. Mr. Johnson responded that it was important that the community understood where Connect Transit was. It was his belief that the agency already had a good momentum going for a potential referendum to pass creating a transit district. He stated that a Home Rule sales tax was not as dedicated as a district tax.

Chairman Bill Wilson questioned if the actual 2015 Budget would be presented at the April monthly Board of Trustees meeting. Mr. Johnson affirmed.

Trustee John Bowman stated that the upcoming Comprehensive Operational Analysis may show additional ways to be cost effective. Mr. Johnson agreed and stated that the agency is always looking at ways for improvement.

Trustee Ryan Whitehouse stated that he fully supported campaigning for increased local funding. Connect Transit to put together scenarios and would be watching Governor Rauner very closely

Chairperson Bill Wilson questioned if there were any additional comments or questions regarding the proposed 2015 Budget.

There were none.

ADJOURNMENT

Motion by Trustee Judy Buchanan, Seconded by Vice Chairman Mike McCurdy to adjourn.

AYE: All

NAY: None

Motion carried.

Time: 5:10 p.m.

John Bowman, Secretary

	FY 2015 Total Annual Budget	FY 2015 YTD January Actual	FY 2016 Proposed Budget
Operating Revenue			
Passenger Fares	790,000.00	479,834.25	847,250.19
ISU Contract Fares	495,000.00	288,750.00	519,750.00
Other Contract Fares	135,000.00	74,530.37	135,000.00
Advertising Revenue	45,000.00	19,285.00	45,000.00
Miscellaneous Revenue	21,650.00	37,053.93	64,718.50
Total Operating Revenue	1,486,650.00	899,453.55	1,611,718.69
Operating Expenses			
Operations Wages	4,250,500.00	2,625,348.79	4,741,000.00
Maintenance Wages	977,500.00	493,924.50	993,248.00
Administration Wages	932,500.00	449,334.75	975,000.00
Employer Payroll Tax Expense	496,410.00	270,718.03	545,000.00
Retirement Plan	282,000.00	123,226.08	350,000.00
Group Insurance	931,440.00	516,149.70	1,144,000.00
Uniform Expense	28,200.00	24,898.48	27,700.00
Professional Services	98,600.00	38,606.13	126,650.00
Outside Repair - Labor	63,400.00	63,559.79	106,200.00
Contract Maintenance Services	104,760.00	60,962.64	140,450.00
Custodial Services	5,300.00	5,274.00	11,750.00
Employment Expenses	12,975.00	14,934.27	24,000.00
Fuel	1,260,148.00	663,175.76	1,279,800.00
Lubricants	20,000.00	6,255.47	40,950.00
Tires	93,667.00	46,134.32	88,000.00
Bus Repair Parts	110,000.00	88,693.61	156,450.00
Other Materials and Supplies	56,000.00	19,254.52	59,000.00
Shelters/Signs/Shop Tools	35,300.00	5,697.92	8,000.00
Computer and Office Supplies	120,000.00	61,203.75	115,000.00
Utilities	110,200.00	71,134.22	127,000.00
Corporate Insurance	243,800.00	123,203.49	244,000.00
Dues/Subscriptions/Fees	34,300.00	13,437.42	37,700.00
Printing/Marketing/Training	237,000.00	161,533.01	247,000.00
Total Operating Expenses	10,504,000.00	5,946,660.65	11,587,898.00
Operating Revenue	1,486,650.00	899,453.55	1,611,718.69
State Support	6,827,600.00	3,863,572.00	7,532,133.70
Federal Support	2,189,750.00	1,159,158.00	2,444,045.61
Total Revenue and Support	10,504,000.00	5,922,183.55	11,587,898.00