

**THE COAST RTA-WACCAMAW RTA
BOARD OF DIRECTORS MEETING
JULY 29, 2015
9:30 AM**

Board Present: Joseph Lazzara, Chair
Bernard Silverman
Katharine D'Angelo
Chuck Ottwell
Lillie Jean Johnson
Ivory Wilson
Mickey James
Marvin Keene, Ph.D., CFA
Sidney Blackwelder

Staff Present: Brian Piascik, General Manager/CEO
Lynette Nobles, Executive Assistant/Board Liaison
Michelle Cantey, Marketing & Communications Manager
Mike Levitan, Interim CFO
Tom Arends, IT
John Glover, Transportation and Service Planning Manager

Also Present: Darrell Eickhoff, AARP
August Dittbenner, MB Herald
Nicholas Twigg, Citizen
Kaitlyn Stansell - WMBF

In accordance with the Freedom of Information Act (FOIA), the 2015 meeting schedule was provided to the press at the beginning of the 2015 calendar year, stating the date, time and location. In addition, notice of this meeting was provided to the press, stating the date, time, and place on Monday, July 27, 2015.

CALL TO ORDER: Chairman Lazzara called the meeting to order at 9:30 AM and welcomed everyone.

INVOCATION/PLEDGE OF ALLEGIANCE: Mr. Wilson gave the invocation. The Pledge of Allegiance was recited.

ANNOUNCEMENT OF QUORUM/ROLL CALL: Roll call was taken. A quorum was present.

ACKNOWLEDGEMENT OF VISITORS: Mr. Lazzara welcomed Mr. Eickhoff and Mr. Dittbenner.

PUBLIC COMMENT: None

JULY 29, 2015

APPROVAL OF MINUTES: There was a motion and a second to approve the minutes from the May 27 and June 12 meeting board meetings. A voice vote was taken, with no nays being heard, the minutes were approved.

GENERAL MANAGER'S REPORT:

Mr. Piascik began the meeting by announcing that we implemented route changes, one of which reduces the use of Highway 501 from 80% of the route to 20% of the route. We're getting out of traffic and it's safer. The big reason for the change was to improve our on-time performance.

There was a discussion regarding signs at the stops. Mr. Blackwelder asked if there are any challenges such as local regulations, right-of-way, anything like that we have to go through. Mr. Piascik shared that we have to work with the property owners or whoever owns the right-of-way; the same challenges as the shelters. We'll accelerate the signage as best as we can.

Regarding the FTA FMO issues, FTA keeps telling us they're doing us a favor by not scheduling the FMO, while Mr. Piascik is asking them to schedule it as soon as possible. It's about satisfying our issues with the county; but, Mr. Piascik wants done as quickly as possible to know exactly what we're doing right and what we need to change. He and Mr. Levitan will be attending the FMO (Financial Management Overview) workshop in Seattle at the end of August.

Mr. Ottwell asked the status of the funding agreements. Mr. Piascik replied that the funding agreements, both Horry County and City of Myrtle Beach, have been signed and are in place.

Regarding the survey, the biggest concern we have is that we're between the summer and fall sessions. We should be able to garner enough students to do the surveys on the evening service, as well as the Entertainment Shuttle, before it shuts down on September 6th. Then, we'll come back in September and do the rest of the service. While that's not ideal, it's the best we can do; and there'll be plenty of good data to assess where we are. We'll look at the overall statistics a little later.

Mr. Piascik then turned the meeting over to Mr. Levitan to review the financials. Mr. Levitan began by thanking everyone for letting him be a member of the Coast family for a little while; and expressed that the staff is very energetic and dedicated. Mr. Piascik mentioned Coast RTA shirts, and was asked about getting shirts for the board.

Mr. Levitan stressed that these are preliminary numbers and there will be some adjustments. Some of the key items on the Operating Revenue, the variance is negative \$88,000, which means fare revenue is down, a combination of lower ridership and a little lower average fare. In addition, this is the start of our transition to what we hope is new and improved reporting for you, giving you not only financial information but service information, both quality and quantity. Over the next few months, we'll get it perfected to give you the information you want to see. Operating Expense, by and large, if we look at the variance down at the Total Operating Expense, you'll notice the Year-to-Date Actual is \$4.394 million and Year-to-Date Budget was \$4.666 million, so a good negative number of \$272,000 under

JULY 29, 2015

budget. A couple of components of the \$272,000; Salaries and Wages down \$220,000 due to unfilled positions; Benefits is up \$126,000 which is due to the pension, which we'll talk about when we get to the Balance Sheet. It would have been lower than budget, except for the pension adjustment. The other really good negative number is \$178,000 lower-than-budget variance for fuel prices. The other big red number is Depreciation; we spent less in Capital this year and we had a loss on Fixed Assets, the buses that were gotten rid of that there was some undepreciated portion of the bus that we had to write off. The other issue is that there were some things bought on Capital, such as the tires for the Richmond buses that were set up in a depreciating account and should not have been, as tires are consumables. There are other such items that should never have been part of it. We have a good handle on the expense side; but the significant issue is the negative numbers on the revenue side. The Operating Grant Revenue \$760,000 under budget; we're still working through the process of exactly what's going on with the grant draws and how we maximize what it is we're pulling down. We're setting some things up and putting some procedures in place so that we draw down the maximum that we can and we draw it down as early as we possibly can. Mr. Ottwell asked if when we draw down money, we could put that money into the bank and draw interest. Mr. Piascik shared that we're going back to try to recoup some money for FY2015. Mr. Levitan shared that FTA has accepted the Cost Allocation Plan that was submitted by the previous CFO; and this will significantly simplify the process. For every expense we have, we can apply a 54% overhead rate.

Mr. Levitan continued by calling attention to Capital Grant Revenues, \$465,000 under; and then if you look at Capital Expenditures, at the bottom of the sheet, we way underspent our Capital Budget, which is most of the explanation for why we didn't get the Capital Grant Revenues; we didn't spend the money. Now, look at the Year-to-Date Variance on the Total Grant Revenue, you'll see that big negative number -\$1,225,267; look down about six (6) lines and over to Year-To-Date Actual, the Net Income or Loss is -\$1,244,846. As you can see, a lot of that is made up from the fact that we did not get the Grant Revenues that were anticipated.

Moving on to Page 4, some of the new reporting we're doing for you, the first chart, the FY15 Expenses Budget to Actual, this gives you a comparative so you can see month-by-month where we were under/over. If you move to the right, the 12-month rolling expense trending, this shows you twelve (12) months of expense trending. As a new month is added, the oldest month comes off. Mr. Piascik added that this will mean more when we go to an October – September fiscal year. With using the rolling expense trending, you remove any seasonality. There used to be a current ratio report that gave you a table full of numbers, we just replaced it with a graph so you can see how the agency is doing. Total System Admin Ratio, this is really high; but it actually has to do with the amount of service that you're running. Mr. Levitan called the board's attention to the Balance Sheet, under Non-Current Liability there are two (2) new lines this year, which has to do with the implementation of GASB 68, the governmental accounting standard for pronouncement 68, which has to do with accounting for pensions. There's a Net Pension Liability of \$3.728 million and then Deferred Inflows of Resources for \$315,000 and then about six (6) lines down, you have Unrestricted Capital Net Pension Liability of \$3.76 million; and you'll notice you have a negative Total Fund Equity. Some key points about GASB 68 is this is required as part of everybody, all fiscal years beginning after June 30, 2014; so Coast RTA's 2015 fiscal year, it does result in the reporting of this large liability and a corresponding negative entry on the Equity side. These are non-cash expenses. Essentially, the intent of GASB 68 is to try and record the

JULY 29, 2015

true value of a future liability; however, it doesn't allow you to report the full value of future assets that are coming in, so it turns your Balance Sheet upside down. The Cash Requirements sheets tell us the anticipated inflows and outflows over the next couple of months, The next page shows the service numbers. How much service are we delivering; how much service is being consumed; what's the quality of our service. Then there are graphs of the key information on the next page. Page 9 shows the last 12 months ridership, your revenue hours, total hours, revenue miles, total miles, number of accidents, and number of breakdowns. The information on the bottom the sheet tells us how much it costs Coast to operate one hour of service; month by month or a 12-month total. It costs Coast \$101 per hour to operate a bus. Mr. Blackwelder asked what is included in that figure, to which Mr. Levitan replied that all operating expenses are included. Mr. Blackwelder then asked if we have any information as to industry-wide cost. Mr. Levitan shared that it costs DART (Dallas) \$115 per hour. Mr. Piascik added that for this system, it is high; but it's actually the admin ratio. We're a little top-heavy for the number of hours of service we put out on the street; however, it's a functional issue. We have all of these functions we have to do. The remedy to that is that we expand service; when we get more revenue hours, this number will drop like a rock. The average fare number (fare revenue divided by the number of passengers) is \$1.06 for the year. Last year it was \$1.11. Fare Box Recovery, for the year the average is about 12.3%; DART is comparable at 12-15%. Mr. Blackwelder asked what the fare box recovery rate is. Mr. Levitan clarified that it's the total fares divided by the total operating expenses; it's how much of the operating expenses do you recover from user fares. Our subsidy per passenger is \$7.53. Mr. James asked if there's a certain number that can be charged. Mr. Levitan replied that it's a local public policy issue. Mr. Piascik continued by saying that we are going to start looking at peers. The issue is trying to find peers; which is something Dr. Sheehan and he has talked about before. This fall, the Service Committee will go through and try to find some systems that really do mirror the type of service that we operate. If you look at a transit agency of our size, their average fare box recovery rate is 17-20%, so we are a little low. If you look at our average number of passengers per hour, its 11.5, which is a little low. If you think about our routes and how long they are, and if you have, on average, 35 seats on the Georgetown route, and it's going an hour and a half, it can only do the max out, filling that bus up in the mid 20's, 25 or 26 passengers per hour, because it's 35 seats for an hour and a half. The system is actually a boring system. Mr. Piascik added that this is as consistent a system as he's seen.

Mr. Piascik then walked the board through the graphs. Instead of ramping service up for the summer, he proposed that we run the same service year round and reduce service in November, December, and January. He then talked about the data that we will gather with doing the surveys and how it will assist us in making those decisions. Internal data collection is very piece-meal and we have to fix that.

Mr. Piascik stated that he wants to buy 3-4 paratransit vehicles; he distributed a fleet list to the board members. We're down to 34 vehicles in our fleet; 7 paratransit, 3 trolleys, and 24 buses. All of the paratransit vehicles are spent (no federal equity in them) and we need to replace 3-4 of them. The three (3) trolleys will need some rehab once we're finished with summer service. We've decided to go ahead and buy five (5) more DART buses, probably in September. One of the Richmond buses needs a new engine; however, instead of putting \$20,000 - \$30,000 into that bus, we may as well put that money into buying a newer bus. We're going ahead and get the full five (5). Once we get them, we will be reducing our fleet by 12-14 buses. Two of those are the Internationals that are 2011 buses that still have

JULY 29, 2015

\$130,000 to \$140,000 in federal equity. We strongly feel that these are lemons; they're horribly designed, they have 2010 chassis with a 2012 body. These buses were built for hilly terrain, not Myrtle Beach. They've been nothing but problems. They were not designed properly and should never have been sold. We will be pursuing the South Carolina Lemon Law.

Mr. Wilson asked that we have pictures of the buses we're discussing, so the board can see them.

Mr. Silverman asked if we've been working with the Emergency Preparedness people. Mr. Piascik stated that we have had discussion with them; however, he wants to continue the dialog and considering the number of vehicles we have, perhaps asking the school district about using school buses for evacuation.

APPROVAL OF RESOLUTIONS:

Ms. Nobles read the following resolutions into the record:

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY RESOLUTION NO. JUL2015-30

APPROVAL OF WACCAMAW REGIONAL TRANSPORTATION AUTHORITY TO PURCHASE UP TO FOUR (4) PARATRANSIT VEHICLES

There was a motion and a second. Mr. Piascik shared that in the financial plan, we have \$144,000 in the budget. That's only good for two (2) paratransit vehicles. The unit cost for these vehicles is closer to \$60,000 than the \$55,000 we had in the version of this resolution which we sent out to you. We've changed the amount to be up to \$220,000, so we can get at this unit cost rate. The COG let us know that there is 5310 (FTA elderly and disabled) capital funding, specifically for buying the vehicles. We'll have to do an application, so we're not going to buy all four (4) unless we have a successful application. There being no further discussion, a voice vote was taken; no nays being heard, the motion passed.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY RESOLUTION NO. JUL2015-31

APPROVAL OF CHANGES TO THE BY-LAWS

There was a motion and a second. There was a brief discussion of the changes made to the By-Laws. There being no further discussion, a voice vote was taken, no nays being heard, the motion passed.

EXECUTIVE SESSION

There was a motion and a second to go into Executive Session to discuss a legal matter. The board went into Executive Session at 11:26 AM.

JULY 29, 2015

There was a motion and a second at 11:40 AM to come out of Executive Session. No votes were taken and no decisions made.

The board agreed to no board meeting in August due to getting the survey completed. The next board meeting will be held Wednesday, September 30, 2015.

ADJOURNMENT: It was properly moved and seconded that the Board adjourn. A voice vote was taken. No nays being heard, the Board was adjourned at 11:41AM.

JULY 29, 2015