



Interurban Transit Partnership

Finance Committee Members

Rick Baker *Mayor Stephen Kepley (Chair)*
Mayor Gary Carey *Mayor Katie Favale* *Mayor Steve Maas*

FINANCE COMMITTEE MEETING

Wednesday, August 11, 2021 – 4 p.m.

Rapid Central Station Conference Room (250 Grandville, SW) | Virtual Meeting

AGENDA

	<u>PRESENTER</u>	<u>ACTION</u>
1. PUBLIC COMMENT		
2. MINUTES REVIEW – June 30, 2021	Mayor Kepley	Review
3. DISCUSSION		
a. Operating Budget- Projected Year End Totals	Linda Medina	Review
b. Health Insurance Renewal - Self-Funding/Fully Insured	Nancy Groendal	Review & Discussion
c. Administrative Pension Plan – &Co Recommendation Change from Vanguard Index Fund to Fidelity - Fees	Deb Prato	Review
d. Insurances	Steve Schipper	Informational
• Workers Compensation Update		
• PLPD Experience Update		
e. Paratransit Locations	Deb Prato	Informational
4. ADJOURNMENT		

Next meeting: November 3, 2021



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Rick Baker *Mayor Stephen Kepley (Chair)*
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FINANCE COMMITTEE MEETING MINUTES

Wednesday, June 30, 2021 – 11 a.m.

Rapid Central Station | 250 Grandville Avenue, SW

ATTENDANCE:

Committee Members Present:

Rick Baker, Mayor Gary Carey, Mayor Katie Favale, Mayor Stephen Kepley, Mayor Steve Maas

Committee Members Absent:

Staff Attendees:

Michael Bulthuis, Steve Clapp, Nancy Groendal, Julie Ilbrink, Linda Medina, Nick Monoyios, James Nguyen, Deb Prato, Jason Prescott, Andy Prokopy, Steve Schipper, Brittany Schlacter, Mike Wieringa, Kevin Wisselink

Other Attendees:

Jennifer Mejia (student intern)

Mayor Kepley called the meeting to order at 11:02 a.m.

1. PUBLIC COMMENT

No public comments were provided.

2. MINUTES – April 14, 2021

The minutes from April 14, 2021, were reviewed and approved as written.

3. DISCUSSION

a. Procurement Process

Mr. Wisselink provided an update on The Rapid's procurement process. He walked the committee through the flow chart which helps the team direct how projects need to be handled. He highlighted the partnership with MDOT's DBE directory for any companies that may be interested in putting in a bid. Mayor Kepley suggested putting the procurement process flow chart on the web site to assist companies to get on the bidders list prior to projects being out for bid. Mayor Carey suggested when emailing the vendors, all recipients should be bcc'd to avoid any unfair advantage from competitors. Mr. Baker expressed his gratitude for making the effort to reaching out to the minority businesses.

MISSION: *To create, offer and continuously improve a flexible network of public transportation options and mobility solutions.*

Mr. Wisselink reviewed a breakdown of our current DBE vendors. At this time, DBE's make up approximately 30% of the total number of vendors utilized. Mr. Wisselink outlined the Procurement Department's next steps which include:

1. Continue to network with local individuals and organizations to gain knowledge and opportunities for outreach.
2. Create a robust distribution list to get opportunities in front of minority contractors.
3. Track all contracts for minority/disadvantaged firms, not just Capital; also track other certifications such as WBE and MBE.
4. Network with talent developers to grow DBE firms that can work with us.
5. Create a procurement inclusion plan as part of the procurement manual or a stand-alone document.

Mayor Carey shared his appreciation for the work that has gone into this project.

b. FY 2022 Preliminary Operating Budget Highlights

Mr. Bulthuis presented the FY 2022 Operating Budget. He shared this budget has been thoroughly reviewed and discussed with the management team during an all-day retreat. He expressed there was good discussion regarding the goals and outcomes for each department, and those discussions helped to shape what the financial picture will look like in the upcoming fiscal year. Mr. Bulthuis reminded the committee that we work with a zero-based budget which is why revenue and expenses will show the same amount. Projected revenue and expenses in FY 2021 is \$48.3 million; projected revenue and expenses in FY 2022 is \$50.9 million. It is anticipated that PL & PD insurance costs, along with medical insurance costs, will increase in the next FY.

The committee discussed insurance coverage, and whether going self-insured would be a good choice. Ms. Prato shared information is being gathered to evaluate all options to determine what will be best for everyone.

Mr. Bulthuis shared information on pension and promotional programs, expressing how and why these budgets have increased. Mr. Bulthuis shared that the budget meeting in July will be more informative and have more details.

Mayor Carey shared his appreciation for the hard work completed by the entire management team. Mayor Kepley shared the environment this year was challenging and is impressed with how the budget has been balanced.

Ms. Medina asked the committee if they would like the budget presented by department. Mayor Kepley shared he would prefer that, and to hear from each of the budget owners as to why their department's budget is increasing or decreasing.


Ms. Prato shared she has been on calls with APTA about the recovery rates other organizations are seeing. She shared we are on par with other agencies across the country. Mr. Schipper expressed many agencies are experiencing difficulties in retaining and obtaining employees. He further shared in our job fair this past week, we had over 20 attendees which is above the national average. Ms. Prato shared the COA process and the benefits seen from this work has been critical in keeping us moving forward in a positive direction.

4. AJOURNMENT

This meeting was adjourned at 12 p.m.

The next meeting is scheduled for August 11, 2021

Respectfully submitted,

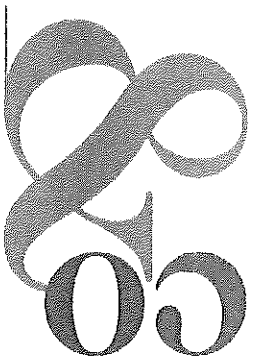


Julie Ilbrink, Board Secretary

The Rapid
FY 2021 Annual Operating Projection

	FY 2021 Amended	FY 2021 Projected	FY 2021 Amended vs. FY 2021 Projected		FY 2020 Actual	FY 2020 Actual vs. FY 2021 Projected	
			\$	%		\$	%
Revenues and Operating Assistance							
Passenger Fares	\$ 2,878,860	\$ 2,906,746	\$ 27,886	1.0%	\$ 4,110,281	\$ (1,203,535)	-29.3%
Sale of Transportation Services							
CMH Contribution	223,970	314,743	90,773	40.5%	390,641	(75,898)	-19.4%
Dash Contract	2,279,054	2,244,085	(34,969)	-1.5%	2,058,508	185,577	9.0%
Grand Valley State University	2,833,029	2,877,615	44,586	1.6%	2,282,371	595,243	26.1%
Van Pool Transportation	29,910	29,339	(571)	-1.9%	57,302	(27,964)	-48.8%
Township Services	593,259	574,660	(18,599)	-3.1%	570,393	4,266	0.7%
Other	357,959	357,407	(552)	-0.2%	267,122	90,285	33.8%
Subtotal Sale of Transportation Services	6,317,180	6,397,847	80,667	1.3%	5,874,704	523,143	8.9%
State Operating	15,277,210	14,637,888	(639,322)	-4.2%	13,348,412	1,289,476	9.7%
Property Taxes	17,395,471	17,393,409	(2,062)	0.0%	16,791,217	602,192	3.6%
Advertising & Miscellaneous	590,210	600,640	10,430	1.8%	599,905	735	0.1%
Subtotal Revenues and Operating Assistance	42,458,931	41,936,530	(522,401)	-1.2%	40,724,519	1,212,011	3.0%
Grant Operating Revenue (CARES/CRRSAA)	5,886,518	22,053,613	16,167,096	100.0%	11,137,091	10,916,522	98.0%
Total Revenues and Operating Assistance	\$ 48,345,448	\$ 63,990,143	\$ 15,644,694	32.4%	\$ 51,861,610	\$ 12,128,533	23.4%
Expenses							
Salaries and Wages							
Administrative	\$ 5,384,641	\$ 5,334,986	\$ (49,655)	-0.9%	\$ 5,032,138	\$ 302,848	6.0%
Operators	14,014,550	12,877,355	(1,137,195)	-8.1%	13,246,310	(368,956)	-2.8%
Maintenance	2,071,539	1,915,216	(156,323)	-7.5%	2,012,580	(97,364)	-4.8%
Subtotal Salaries and Wages	21,470,730	20,127,556	(1,343,174)	-6.3%	20,291,028	(163,471)	-0.8%
Benefits	9,334,842	8,983,243	(351,599)	-3.8%	8,347,716	635,528	7.6%
Contractual Services	4,016,219	3,865,249	(150,970)	-3.8%	2,664,387	1,200,862	45.1%
Materials and Supplies							
Fuel and Lubricants	1,671,209	1,725,992	54,783	3.3%	1,660,604	65,388	3.9%
Other	1,603,691	1,525,411	(78,280)	-4.9%	1,710,081	(184,670)	-10.8%
Subtotal Materials and Supplies	3,274,900	3,251,404	(23,496)	-0.7%	3,370,685	(119,282)	-3.5%
Utilities, Insurance, and Miscellaneous	5,192,293	4,930,196	(262,097)	-5.0%	3,080,475	1,849,722	60.0%
Purchased Transportation	5,056,464	5,167,065	110,601	2.2%	5,326,226	(159,161)	-3.0%
Expenses Before Capitalized Operating	48,345,448	46,324,713	(2,020,735)	-4.2%	43,080,516	3,244,197	7.5%
Capitalized Operating Expenses	-	-	-	0.0%	-	-	0.0%
Total Operating Expenses	\$ 48,345,448	\$ 46,324,713	\$ (2,020,735)	-4.2%	\$ 43,080,516	\$ 3,244,197	7.5%
Net Surplus/(Deficit) without CARES		\$ (4,388,183)			\$ (2,355,997)		
Net Surplus/(Deficit) with CARES		\$ 17,665,430			\$ 8,781,094		

Putting clients first.



EXECUTIVE SUMMARY: 2Q 2021

Market Summary:

Equity markets continued on their torrid pace in the 2nd quarter, finishing the period at near all-time highs. As concerns over the pandemic began to fade, investors turned their focus towards the rebound in the economy and the potential for earnings growth and multiple expansion. All but one of the S&P 500's sectors provided positive absolute returns during the period. Not surprisingly, sectors that have traditionally exhibited positive correlation to rising inflation did well, including real estate and energy. Historically, these sectors are able to pass along rising input costs to consumers more quickly than other sectors. Growth sectors also performed well, aided by the decline in US interest rates. Foreign stocks similarly enjoyed a strong quarter, with developed markets slightly outpacing emerging markets during the period. Economic growth accelerated, especially in Europe and the UK, as local economies reopened. These results were achieved despite the US dollar appreciating during the quarter relative to most currencies.

Fixed income returns were solid for the 2nd quarter with the Bloomberg Barclays US Aggregate Bond Index rising 1.8% for the period. Inflationary fears waned during the quarter as investors balanced longer-term pricing pressures with Federal Reserve actions. Generally, credit markets performed well during the quarter, led by lower investment grade corporate bonds. That segment of the market has a longer duration which acted as a tailwind as interest rates declined. Finally, US TIPS performed well during the quarter as investors looked to mitigate inflation risk.

Conclusions/Recommendations:

1. The Total Fund gained 5.69% (net) during the quarter, out performing the Policy Index and ranking near the top of the Public Fund universe. The Fund benefited from an overweight to domestic equities and strong performance from several active managers.
2. The Total Fund returned 21.84% (net) over the past year, under performing the Policy Index and ranking in the bottom half of the peer group. The Fund was hindered by an overweight to cash during this period but continues to perform well relative to absolute return expectations.
3. The Vanguard Index Funds performed in line with expectations this quarter. **AndCo recommends the Board consider transferring these mandates to Fidelity; Fidelity offers similar funds with lower fees (see Passive Manager Comparison).**
4. AF Europacific Growth out performed their benchmark and ranked in the top quartile of their universe this quarter. The manager exceeds performance expectation after two years.
5. Baird and Western out performed the BB US Aggregate Index this quarter and ranked in the top half of their universe. The managers benefited from an overweight to corporate bonds. The managers exceed longer-term performance expectations.
6. At quarter end the Fund was overweight to equities and underweight to fixed income. Please see the Asset/Manager Summary for rebalancing recommendations.

(Note: A new asset allocation and investment structure was implemented during 2018. The 1st quarter of 2019 was the first full quarter that the majority of the changes were fully invested.)



Recommended Actions – Vanguard to Fidelity

Fund	Fee (%)	Fee (\$)
Vanguard 500	0.040	\$318
Fidelity 500	0.015	\$120
Fee Savings		\$198
Market Value		\$797,005

Fund	Fee (%)	Fee (\$)
Vanguard Mid-Cap	0.050	\$89
Fidelity Mid Cap	0.025	\$44
Fee Savings		\$45
Market Value		\$177,565

Fund	Fee (%)	Fee (\$)
Vanguard Small-Cap	0.050	\$86
Fidelity Small Cap	0.026	\$45
Fee Savings		\$41
Market Value		\$171,953

- Replace Vanguard 500 Index with Fidelity 500 Index.
- Replace Vanguard Mid-Cap with Fidelity Mid Cap.
- Replace Vanguard Small-Cap with Fidelity Small Cap.

Total Annual Savings: \$284

Estimated market values from Admin Plan as of 6/30/2021.