



Interurban Transit Partnership

Finance Committee Members

Steven Gilbert Mayor Stephen Kepley (Chair) Mayor Gary Carey Mayor Katie Favale Mayor Steve Maas

FINANCE COMMITTEE MEETING

April 17, 2024 – 4:00 p.m.

Rapid Central Station Conference Room (250 Cesar Chavez Avenue, SW)

AGENDA

	<u>PRESENTER</u>	<u>ACTION</u>
1. PUBLIC COMMENT		
2. MINUTES REVIEW – January 17, 2024	Mayor Kepley	Review
3. DISCUSSION		
a. FY 24/25 Budget Guidelines	Linda Medina	
b. Financial Planning & Analysis	Linda Medina	
4. ADJOURNMENT		

Next meeting: June 12, 2024



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Mayor Gary Carey Mayor Katie Favale Mayor Steve Maas

FINANCE COMMITTEE MEETING MINUTES

Wednesday, January 17, 2024 – 4:00 p.m.

Rapid Central Station Conference Room (250 Grandville Avenue, SW)

ATTENDANCE:

Committee Members Present:

Mayor Maas, Mayor Kepley, Steven Gilbert

Committee Members Absent:

Mayor Carey, Mayor Favale

Staff Attendees:

Steve Clapp, Kris Heald, Deron Kippen, Linda Medina, Nick Monoyios, James Nguyen, Deb Prato, Jason Prescott, Andy Prokopy, Steve Schipper, Mike Wieringa, Kevin Wisselink

Other Attendees:

Peter Sillanpaa, John Laframboise (BDO), Wardell Frazier, Jeffrey King, Max Dillivan

Mayor Kepley called the meeting to order at 4:00 p.m.

1. PUBLIC COMMENT

No Public Comment

2. MINUTES – November 8, 2023

Chairman Kepley entertained a motion to approve the meeting minutes from November 8, 2023. Mayor Maas motioned to approve, and Mr. Gilbert supported it. The motion passed unanimously.

3. DISCUSSION

a. FY 22/23 Audit (BDO)

Ms. Medina introduced Mr. Laframboise, who is an Insurance Director with BDO. He will be presenting a high-level report on the audit.

Mr. Laframboise reviewed two documents with the committee. An Audit Wrap Up document, and the Financial Statements.

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

Mr. Laframboise focused on key areas on the Status of the Audit:

- The object of the audit is to obtain reasonable but not absolute assurance of whether the financial statements are free from material misstatement.
- The scope of work performed is the same as what was described in the audit planning communication. It's important to know, as there were no surprises during the audit.
- Have issued unmodified opinions on the financial statements as well as on the single audit.

Results of the Audit

- Mr. Laframboise noted there was a new accounting standard that The Rapid adopted this year. This standard is a subscription-based information technology arrangement (SBITA). This requires The Rapid to bring an asset onto the balance sheet for the right to use those agreements.

Mr. Laframboise is pleased to report there were no corrected or uncorrected misstatements.

Internal Control over Financial Reporting

- These lay out the deficiencies. Key point no material weaknesses.

Financial Statements

BDO Independent Auditors Report

- Mr. Laframboise noted the emphasis of matter is new. What this means is, it is identifying The Rapid adopted something new.

Management Discussion and Analysis

Mr. Laframboise noted some changes year over year between the 2023 and 2022 columns.

- Total assets increased from \$229M to \$236M, approximately a 3% change.
- Current Liabilities went up \$1M.
- Long-term liabilities decreased from \$2.9M to \$1.7M. Mr. Laframboise noted a portion of long-term liability in 2023 does relate to the (SBITA) arrangement. The other piece is the net pension liability which came down substantially from \$2.9M to \$1.1M. In total, the contribution The Rapid made to the two plans was \$900,000.

Change in Net Position Table

- Total operating revenues went up \$300,000, from \$4.6M to \$4.9M, approximately 6%.
- Total operating expenses increased \$5M, \$63M to \$68M. A key piece is in the purchased transportation and the number went up to \$2.8M year over year.

Overall, the Audit was a clean opinion.

Ms. Medina added that we put some monies back in reserves. The experience with BDO went very smoothly.

b. November 2023 Operating Statement

Ms. Medina noted there was not a lot of activity regarding the October/November Operating Statements. We are comparable to where we were last year at this time. The operating revenue is favorable by 1.7%. We are under budget by 14.6% for expenses. Nothing looks critical at this point.

c. Update 5-Year Projection Comparison

Ms. Medina noted we put the actuals from FY23 back into the projection. Revenues and Operating Assistance actual is \$45.4M. We budgeted \$44.3M and we made a little over a million dollars. We budgeted \$8.6M from the grant operating revenue to fill the gap between the expenses and the revenue. We received \$8.3M which brought us to \$53.8M in revenue for FY23.

The budgeted expenses were \$52.9M. The Rapid used the full \$3.5M which was approved by the board as we took \$3.1M out of operating expenses, which brought us down to \$45.6M. The gap between the revenue and expenses is \$127,123. Out of the \$8.3M we received from ARP Funding, we only used \$127,000, and the balance went to reserves.

d. Rapid Connect Analysis

Ms. Medina reported this Rapid Connect Analysis is based on the FY 22/23 expenses.

Total expenses for both zones (Kentwood/Walker) were \$365,000. Each vehicle in each zone is in the zones the same number of times so the funds were split 50/50.

The cost for Kentwood is lower because of more activity in that zone. We only collected approximately \$6,000 in revenue. It is an expensive program.

Total trips for the year through eFare were 8,743 trips between the two zones.

e. Origin and Destination Reports

Ms. Medina noted that Mr. Prescott provides a weekly report on Rapid Connect. The largest concentration of trips in Kentwood was the Airport, Lighthouse and Aviation Academy.

The largest concentration of trips in Walker are Abraham and Sons the US Army Reserve, and various businesses along Walkent Court NW.

Mayor Kepley inquired where do we go from here. Do we need to promote it more?

Ms. Prato added we are teeing that up as we had \$50,000 in reserve from the COA funds, so we have hired consultants from VIA to do an analysis. We meet twice a week to discuss Rapid Connect progress. We will have a report for the June board meeting.

Mr. Gilbert's comment is the numbers are staggering on the cost. How do we leverage data? He would like to make sure we find the most optimized version of this map. He suggested having a conversation with Rapid staff and Mayor Carey to discuss further.

f. Comparison Between Funding Methods

Ms. Medina noted from ACT 51 we receive funding from the State of Michigan. The funding is not very stable. In FY 16/17 we received 34%, and where we are now in FY 22/23, we are at 30%. There are two categories for Capital funding. One is capital cost of contracting which is for contracting Paratransit (Transdev). The Rapid may use a percentage of those funds from operating and move it to capital. We may move 10% of that apportionment. That funding breaks out as 80% from the Feds, and 20% from the state.

Mayor Kepley asked where the state gets the capital from? Is it ACT 51? Mr. Wisselink answered it comes from Comprehensive Transportation Fund.

g. Consumer Price Index (CPI) Comparison

Ms. Medina noted we are getting closer to the fiscal cliff. We had a renewal in FY 16/17 on property tax. We compared this to CPI on how it increased compared to our property tax revenue increased. From FY 16/17 to now 22/23, it has increased 23.5%. Our expenses are outpacing our revenue.

Ms. Medina added The Rapid is anticipating being fully staffed in 2024.

Ms. Prato noted that HR has a focus on hiring bus operators. We have eleven in the January class. We currently have 239 operators.

Ms. Prato in the winter schedule we were not meeting commitments. Summer is a lighter schedule. We removed the least productive trips. Now we are experiencing with the extra board the schedule is

filled. We have several people who take overtime there isn't overtime to go up. What do we restore, and how do we restore. We want to get staff up and get frequencies back as it should be.

Mayor Kepley thanked The Rapid staff for all the work, and the great job with managing.

Mr. Gilbert appreciates all the work, and added we need to have more conversations looking at every lever for funding and looking to grow and provide service. Key findings are younger generations are looking for better transit service. Meijer Corp is one of the largest employers in Walker. How do we use transit to support the next generation in the workforce. Key to the future of the region. Bigger conversations statewide and the benefits of public transit and people who have different interests. The work we do here is important.

Mayor Kepley agrees with Mr. Gilberts very insightful comments. He also made a comment that he has nieces and nephews who pride themselves on not having a car and love public transit.

4. **ADJOURNMENT**

This meeting was adjourned at 4:56 p.m.

The next meeting is scheduled for April 17, 2024

Respectfully submitted,



Kris Heald, Board Secretary



Interurban Transit Partnership

Date: April 17, 2024
To: Finance Committee
From: Linda Medina, Director of Finance
Subject: FY 24/25 BUDGET FORMULATION GUIDELINES

ACTION REQUESTED

The Board to review and recommend the FY 24/25 Budget Formulation Guidelines for Board approval.

BACKGROUND

In February 2001, the ITP Board began a process of reviewing and approving guidelines to be used in the formulation of the annual operating budget. The following are the Fiscal Year 24/25 budget formulation guidelines for the Finance Committee's approval:

- Funding consistent with guiding principles of enhancing frequency and a span of hours to create convenient mobility for the residents of the six cities.
- Contribution to the union defined benefit pension plan shall be based upon actuarial recommendations and will meet or exceed the mid-range contribution as the budget allows.
- Contribution to the administrative defined benefit pension plan shall be based upon actuarial recommendations and will meet or exceed the high range contribution as the budget allows.
- Utilize Section 5307 funds for preventive maintenance as permitted by federal regulations.
- Contracted service billing rates will encompass all operational expenses and be prorated by revenue miles, hours, or contracted trips.
- Locally derived Interurban Transit Partnership funds shall not be used to subsidize contract services, unless specifically approved by the Board.
- State Operating Assistance is assumed to be 26.3207%. This rate will be updated as additional information is received from Michigan Department of Transportation (MDOT).

- If State Operating Assistance (SOA) percentage is under 29% an analysis of the fare structure will be performed and brought back to the Board for discussion.
- Unrestricted net reserves will be used to balance the budget.
- The budgeted millage rate is assumed to be flat or include a minimal Headlee reduction. The new millage rate will not be available until May 2024 from Kent County.
- Implement adjustments to the administrative salary structure based on labor market data, as outlined in the Compensation Philosophy approved by the Board in 2017, to ensure competitiveness in attracting and retaining top talent.

The goal is to remain flexible and adaptable to changing circumstances and continue to review and adjust budget priorities as needed to align with strategic objectives.

Please feel free to reach out to me directly at 774-1149 or imedina@ridetherapid.org with any questions.

Financial Planning & Analysis

The Rapid

Finance Committee

April 17th, 2024



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February 2024 Operating Statement - Revenues

	YTD as of February 28, 2024		Variance		Last Year	% Variance	Current Year
	Budget	Actual	\$	%	FY 22/23 YTD Actual	to FY 22/23 YTD Actual	FY 23/24 Annual Budget
Revenues and Operating Assistance							
Passenger Fares	\$ 1,984,154	\$ 1,986,372	\$ 2,218	0.1%	\$ 1,816,793	9%	\$ 4,895,883
Sale of Transportation Services							
CMH Contribution	182,707	146,701	(36,006)	-19.7%	168,755	-13%	447,839
Dash Contract	768,848	777,810	8,962	1.2%	678,099	15%	1,856,468
Grand Valley State University	1,762,915	1,696,789	(66,126)	-3.8%	1,477,319	15%	3,682,642
Van Pool Transportation	-	-	-	0.0%	(1,242)	-100%	-
Township Services	81,868	108,015	26,147	31.9%	170,922	-37%	185,836
Other	99,068	93,673	(5,395)	-5.4%	93,581	0%	218,635
Subtotal Sale of Transportation Services	2,895,406	2,822,988	(72,418)	-2.5%	2,587,434	9%	6,391,421
State Operating	8,076,019	7,592,594	(483,425)	-6.0%	5,933,223	28%	18,870,616
Property Taxes	8,192,084	8,598,322	406,238	5.0%	7,761,510	11%	19,661,002
Advertising & Miscellaneous	288,089	1,086,560	798,471	277.2%	531,691	104%	714,020
Subtotal Revenues and Operating Assistance	21,435,751	22,086,835	651,084	3.0%	18,630,651	19%	50,532,941
Grant Operating Revenue	-	-	-	0.0%	8,299,953	-100%	-
Unrestricted Net Reserves	-	-	-	0.0%	-	-	5,474,451
Total Revenues and Operating Assistance	\$ 21,435,751	\$ 22,086,835	\$ 651,084	3.0%	\$ 26,930,604	-18%	\$ 56,007,392

February 2024 Operating Statement - Expenses

	YTD as of February 28, 2024		Variance		Last Year	% Variance	Current Year
	Budget	Actual	\$	%	FY 22/23 YTD Actual	to FY 22/23 YTD Actual	FY 23/24 Annual Budget
Salaries and Wages							
Administrative	\$ 2,626,724	\$ 2,309,591	\$ (317,132)	-12.1%	\$ 2,168,519	7%	\$ 7,226,977
Operators	6,166,603	4,972,277	(1,194,327)	-19.4%	5,236,983	-5%	16,033,168
Maintenance	1,070,330	953,338	(116,992)	-10.9%	843,992	13%	2,782,858
Subtotal Salaries and Wages	9,863,657	8,235,206	(1,628,451)	-16.5%	8,249,494	0%	26,043,003
Benefits	4,674,549	3,600,960	(1,073,588)	-23.0%	3,916,654	-8%	10,842,785
Contractual Services	1,416,034	1,416,029	(5)	0.0%	1,248,597	13%	3,912,166
Materials and Supplies				0.0%			-
Fuel and Lubricants	1,143,402	880,984	(262,417)	-23.0%	1,069,692	-18%	3,026,466
Other	712,190	712,148	(42)	0.0%	624,476	14%	1,969,374
Subtotal Materials and Supplies	1,855,591	1,593,132	(262,459)	-14.1%	1,694,168	-6%	4,995,840
Utilities, Insurance, and Miscellaneous	2,589,459	2,224,925	(364,534)	-14.1%	2,438,602	-9%	5,699,115
Purchased Transportation	3,548,537	3,632,981	84,444	2.4%	2,770,703	31%	8,514,483
Expenses Before Capitalized Operating	23,947,826	20,703,233	(3,244,593)	-13.5%	20,318,217	2%	60,007,392
Capitalized Operating Expenses	(406,426)	(406,426)	(0)	0.0%	-	-100%	(4,000,000)
Total Operating Expenses	\$ 23,541,400	\$ 20,296,807	\$ (3,244,593)	-13.8%	\$ 20,318,217	0%	\$ 56,007,392
Net Surplus/(Deficit) without Net Reserves		\$ 1,790,029			\$ (1,687,566)		
Net Surplus/(Deficit) with Net Reserves		\$ 1,790,029			\$ 6,612,387		

February 2024 Operating Statement – Highlights

- Revenue is favorable by 3.0% before federal operating assistance
 - Passenger fares are in line with budgeted expectations
 - Sale of transportation services is slightly under budget, based on approved contracts
- Expenses continue to trend under budget, 13.8% through the month of February
 - Wages and fringes are lower than forecasted due to the current personnel counts, but remain focused on employee recruitment and retention
 - Fuel expenses continue to remain below forecasted levels due to favorable prices
 - Insurance premiums are lower than what was first anticipated
- \$406,426 has been identified as eligible for Federal 5307 preventative maintenance funding to be used in the operating environment

FY 24/25 Budget Timeline

Phase	Responsibility	FEB	MAR	APR	MAY	JUN	JUL	AUG
Preparation								
Establish budget timeline	Finance Staff	→						
Establish budget guidelines	Finance Staff		→					
Review budget timeline (4/17)	Finance Committee			→				
Review budget guidelines (4/17)	Finance Committee			→				
Budget guidelines approved (April 24)	Full Board			→				
Budget Development								
Budget Kickoff (March 1)	Staff		→					
Directors Review Budget With Upline (3/1 - 4/19)	Staff		→	→				
Departmental budgets submitted (4/19)	Staff		→	→				
Departmental budgets compiled (4/22 - 5/3)	Finance Staff				→			
Initial budget review by leadership (5/6-5/10)	Staff					→		
Finance updates budget (5/13-5/24)	Finance Staff					→		
Review								
Second review by leadership (5/28 - 5/31)	Staff					→		
Preliminary budget book due (6/5)	Staff						→	
Review preliminary budget (6/12)	Finance Committee						→	
Budget book sent to Board (July 17)	Staff						→	
Budget Workshop (July 24)	Full Board							→
Adoption								
Budget approval (August 28)	Full Board							→

Proposed FY 24/25 Budget Guidelines

- Funding consistent with guiding principles of enhancing frequency and a span of hours to create convenient mobility for the residents of the six cities.
- Both the union and administrative defined benefit pension contributions shall be based upon actuarial recommendations and will meet or exceed mid and high range contributions
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Proposed FY 24/25 Contract Service Rate

	FY 21/22	FY 22/23	FY 23/24	FY 24/25
State Operating %	30.98%	31.60%	29.51%	29.20%
Full Hourly Cost	\$95.21	\$97.56	\$98.20	\$102.80
Partner Cost	\$65.71	\$66.73	\$69.22	\$72.78
Rate with GO!Bus	\$75.71	\$76.37	\$80.28	\$88.10

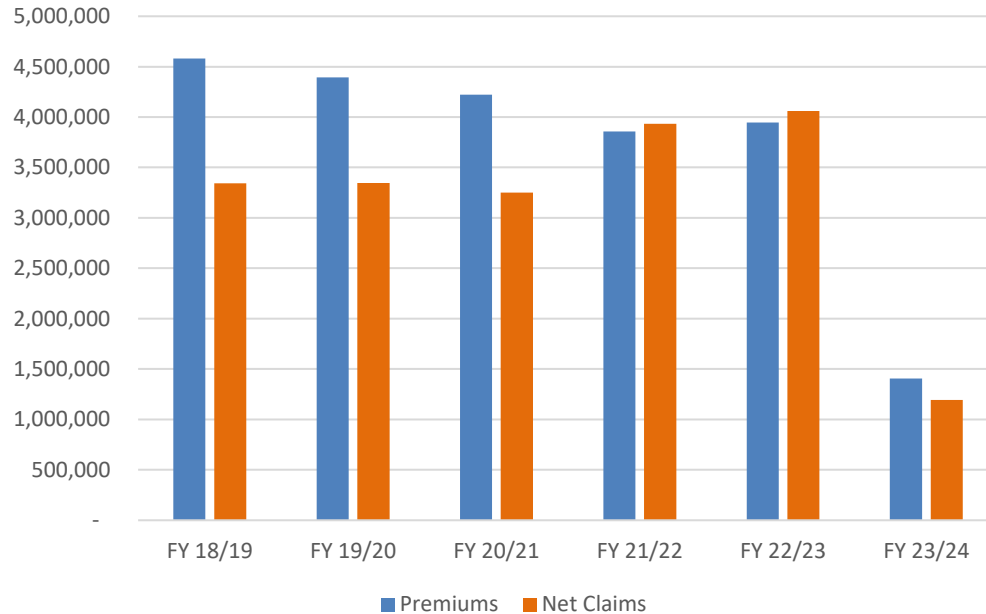
- Linehaul rate increased 5.1%
- Linehaul + GO!Bus rate increased 9.7%
 - Purchase transportation expenses increased due to the new contract with TransDev
- State operating assistance credit is included in the calculation
- Two contract service rates: Linehaul only and Linehaul and GO Bus

LINEHAUL COSTS	FY 22/23 Audited	Cost per
	Numbers	Revenue Hour
Operations	\$ 26,732,297	\$ 66.14
Maintenance	8,213,633	20.32
Administration	6,603,177	16.34
Total	\$ 41,549,107	\$ 102.80
	State Operating	30.02
	Linehaul Rate	\$ 72.78

LINEHAUL + GO!BUS COSTS	FY 22/23 Audited	Cost per
	Numbers	Revenue Hour
Operations	\$ 26,732,297.00	\$ 66.14
Maintenance	8,213,633	20.32
Administration	6,603,177	16.34
Paratransit	8,746,016	21.64
Total	\$ 50,295,122.92	\$ 124.44
	State Operating	36.34
	Linehaul & GO!Bus Rate	\$ 88.10

NTD Revenue	404,163
SOA Rate	29.2015%

Claims Vs. Premiums for Medical Insurance



- Claims have exceeded premiums for past 2 fiscal years
- Anticipate FY 23/24 for claims to be lower than premiums by 600,000
- Evaluate Level Funded & Self Funded for FY 24/25

Medical Insurance Renewal

- Right decision to pause on self funded in FY 23/24
- Reduced to 3 Plans in current year
 - HMO Traditional – 49%
 - HMO H.S.A – 31%
 - PPO Traditional – 20%
- Through January 2024, paid premiums are \$1.4 million while paid claims are \$1.2 million
- Prescriptions are 54% of the claims spend
 - Strategizing on how to reduce and control costs
- Medical claims are 45.9% of the claims spend
 - Considering alternative carrier and network
- Renewal meeting scheduled for May 20th