



Interurban Transit Partnership

Finance Committee Members

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

FINANCE COMMITTEE MEETING

Wednesday, April 16, 2025 – 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 22, 2025	Mayor Kepley	Review
3. DISCUSSION		
a. FY 25/26 Budget Guidelines	Linda Medina	
b. Financial Planning & Analysis	Linda Medina	
4. CEO Report/For the Good of the Order	Deb Prato/All	
5. ADJOURNMENT		

Next meeting: June 11, 2025



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FINANCE COMMITTEE MEETING MINUTES

Wednesday, January 22, 2025 – 4:00 p.m.

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

ATTENDANCE:

Committee Members Present:

Mayor Kepley, Mayor Maas, Steven Gilbert

Committee Members Absent:

Mayor Carey, Mayor Favale

Rapid Attendees:

Steve Clapp, Kris Heald, Deron Kippen, Steve Luther, Linda Medina, Nick Monoyios, James Nguyen, Deb Prato, Andy Prokopy, Tim Roseboom, Steve Schipper, Peter Sillanpaa, Kevin Wisselink, Mike Wieringa

Public Attendees:

Josh Laramy (BDO)

Mayor Kepley called the meeting to order at 4:01 p.m.

1. PUBLIC COMMENT

No public comment

2. MINUTES – December 6, 2024, and June 12, 2024

NOTE: There was no quorum at the start of the meeting. Vice Chairman Mayor Kepley came back to the minute's review/approval after item b) Financial Planning and Analysis.

Mayor Kepley entertained a motion to approve June 12, 2024, meeting minutes. Mr. Gilbert motioned to approve, and Mayor Maas supported it. The motion passed unanimously.

Mayor Kepley entertained a motion to approve December 6, 2024, meeting minutes. Mayor Maas motioned to approve, and Mr. Gilbert supported it. The motion passed unanimously.

3. DISCUSSION

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

a. FY 23/24 Audit (BOD), Mr. Josh Laramy

Mr. Josh Laramy, Sr. Auditor at BDO, presented a high-level report on the audit results, indicating that the process was largely successful and without major issues. He referred to specific pages in the report to highlight key points, and overall, there were no significant findings or errors identified during the audit. His assessment pointed to a very smooth and clean audit process, reflecting well on the organization's practices and compliance. This positive outcome suggests that the internal controls and financial reporting mechanisms in place are effective and functioning as intended.

Mr. Laramie noted on page 57 the schedule of expenditure for the Federal Awards. Key points include:

Total federal expenditure is \$21.3M, with \$19.3M attributed to the federal transit cluster.

A compliance audit focused on the federal transit cluster and community project funding, which was notable this year.

The audit produced no findings for either program.

In total, \$20.6M out of \$21.5M in federal awards was tested.

Mayor Kepley clarified that due to receiving federal funds, federal audits are necessary. Mr. Laramie pointed out that funds exceeding \$750,000 are subjected to testing, and since the community project funding surpassed this threshold, it was audited this year. Historically, only the transit cluster has been tested.

When discussing pension information, Mayor Kepley noted that they received data from Watkins Ross. Ms. Medina confirmed that they incorporate this information, and that Watkins Ross reviews it during the GASB (Governmental Accounting Standards Board) adjustments.

Ms. Medina expressed gratitude for her team's hard work and acknowledged the leadership team's support. She conveyed her satisfaction with the audit's outcomes, highlighting the team's pride in their achievements.

Mayor Kepley entertained a motion to recommend this audit report to the Board of Directors. Mayor Maas motioned to approve, and Mr. Gilbert supported it. The motion passed unanimously.

b. Financial Planning and Analysis, Ms. Linda Medina and Mr. Peter Sillanpaa

Ms. Medina provided a comprehensive overview of the financials reflected in the November Operating Statement, which covers both October and November.

Revenue is approximately 1% over budget and about 4% higher compared to the previous fiscal year (23/24).

Revenue from CMH trips has remained stagnant this year, leading to a decline in the total number of trips, however the revenue for GO!Bus is about 22% under budget.

DASH and GVSU services are performing better than expected, contributing positively to the revenue. The contract with Grand Rapids Community College (GRCC) brings in \$172,000 for the year, along with additional income from the GRCC shuttle.

Both Advertising and Miscellaneous Income is trending higher than anticipated. Mayor Kepley inquired about Renewable Identification Numbers (RINs) credits, and Ms. Medina confirmed that these, along with alternative fuel credits, are included in the revenue figures.

Expenses are approximately 10.6% under budget.

Wages and fringes are the major contributors to being under budget. The organization is prioritizing the hiring of operators. While fuel consumption has remained steady, the rates for diesel and propane are lower than budgeted, which is subject to daily fluctuations.

Updated 5-Year Projection – Revenue

Budgeted revenue for the year was \$50.5M, but the actual revenue received is \$49.9M. Expenses were initially budgeted at \$56M, but actual operating expenses are reported at \$44.3M. Originally, it was expected that \$54M from reserves would be needed to cover the deficit. However, with the actual financial performance, it appears that no reserves will be used.

The overall financial performance suggests a stronger than initially anticipated, both in terms of revenue collection and expense management. The organization is trending positively against its budget, showing an emphasis on cost control and effective revenue generation strategies. Additionally, the ability to avoid drawing from reserves strengthens fiscal resilience.

4. INFORMATIONAL

a. Fare Cap Proposal Update – Public Input Process, Ms. Prato, Mr. Monoyios

Ms. Prato highlighted the importance of a proposed fare policy change while addressing the financial sustainability of The Rapid. The analysis revealed no Disparity Impact Disproportionate Burden (DIDB) on low-income or minority groups, allowing for potential adjustments to the fare structure without negatively impacting these communities, as confirmed by public input when most feedback favored maintaining current fare levels without increases.

Ms. Prato emphasized the importance of keeping the farebox recovery above the 25% threshold, noting that it currently stands at 10%, well below the critical level. She reiterated the board's fare recovery policy from 2014-recovering costs through fares in a balanced approach of one-third from fares, one-third from local revenue, and one-third from state assistance.

The current fare system structures a daily cap of \$3.50, leading to a monthly cap after frequent riders reach a cumulative threshold. However, the equity concern arises for low-income riders, as many do not benefit from the fare cap without utilizing specific payment methods such as a wave card or mobile payments. Additionally, there are plans to transition to a \$60 monthly fare cap while increasing the daily fare cap threshold from two to three rides for free, potentially accelerating fare recovery.

Mr. Gilbert inquired about rider trends in relation to fare capping, and staff will gather data on how many riders currently hit the fare cap and how many may do so under the proposed changes.

Mayor Kepley expressed support for bringing this proposal to the board for consideration, raising an important question about the projected impact on farebox recovery rates. Ms. Prato acknowledged that uncertainties surrounding consumer behavior following changes in the fare structure but reassured the committee of ongoing monitoring through upcoming ridership reports.

Overall, the discussion demonstrates a move towards revisiting fare policies in a way that balances financial needs with community impact, with a commitment to regular review and analysis moving forward. Mr. Gilbert expressed his support for progressing with this initiative.

5. ADJOURNMENT

This meeting was adjourned at 4:47 p.m.
The next meeting is scheduled for April 16, 2025

Respectfully submitted.



Kris Heald, Board Secretary



Interurban Transit Partnership

Date: April 16, 2025
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 25/26 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 25/26 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%. This rate will be updated as additional information is received from Michigan Department of Transportation (MDOT).

- If farebox recovery rate is less than 25% and/or State Operating Assistance (SOA) percentage is under 29% an analysis of locally generated funding 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 lmedina@ridetherapid.org with any questions.

Financial Planning & Analysis

The Rapid

Finance Committee

April 16th, 2025



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February 2025 Operating Statement - Revenues

	YTD as of February 28, 2025		Variance		Last Year	% Variance	Current Year
	Budget	Actual	\$	%	FY 23/24 YTD Actual	to FY 23/24 YTD Actual	FY 24/25 Annual Budget
Revenues and Operating Assistance							
Passenger Fares	\$ 1,907,294	\$ 1,859,665	\$ (47,629)	-2.5%	\$ 1,986,372	-6%	\$ 4,857,788
Sale of Transportation Services							
CMH Contribution	179,766	151,001	(28,765)	-16.0%	146,701	3%	452,010
Dash Contract	1,030,488	1,080,165	49,677	4.8%	777,810	39%	2,522,264
Grand Valley State University	1,734,708	1,775,733	41,025	2.4%	1,696,789	5%	3,743,876
Van Pool Transportation	-	-	-	0.0%	-	0%	-
Township Services	96,069	92,830	(3,239)	-3.4%	108,015	-14%	204,912
Other	130,990	152,036	21,046	16.1%	93,673	62%	282,557
Subtotal Sale of Transportation Services	3,172,021	3,251,765	79,744	2.5%	2,822,988	15%	7,205,619
State Operating	7,526,885	6,105,213	(1,421,672)	-18.9%	7,592,594	-20%	16,946,705
Property Taxes	8,854,515	8,996,077	141,562	1.6%	8,598,322	5%	21,250,831
Advertising & Miscellaneous	590,480	1,087,407	496,927	84.2%	1,086,560	0%	1,921,685
Subtotal Revenues and Operating Assistance	22,051,195	21,300,127	(751,068)	-3.4%	22,086,835	-4%	52,182,628
Grant Operating Revenue	-	-	-	0.0%	-		
Unrestricted Net Reserves	-	-	-	0.0%			6,061,050
Total Revenues and Operating Assistance	\$ 22,051,195	\$ 21,300,127	\$ (751,068)	-3.4%	\$ 22,086,835	-4%	\$ 58,243,678

February 2025 Operating Statement - Expenses

	YTD as of February 28, 2025		Variance		Last Year	% Variance	Current Year
	Budget	Actual	\$	%	FY 23/24 YTD Actual	to FY 23/24 YTD Actual	FY 24/25 Annual Budget
Expenses							
Salaries and Wages							
Administrative	\$ 3,310,218	\$ 2,592,248	\$ (717,970)	-21.7%	\$ 2,309,591	12%	\$ 7,826,769
Operators	7,265,791	6,069,865	(1,195,926)	-16.5%	4,972,277	22%	17,173,678
Maintenance	1,248,067	1,123,982	(124,085)	-9.9%	953,338	18%	2,949,964
Subtotal Salaries and Wages	11,824,076	9,786,095	(2,037,982)	-17.2%	8,235,206	19%	27,950,411
Benefits	4,796,666	3,371,374	(1,425,292)	-29.7%	3,600,960	-6%	10,629,553
Contractual Services	1,444,295	1,358,036	(86,259)	-6.0%	1,416,029	-4%	4,129,900
Materials and Supplies				0.0%			-
Fuel and Lubricants	1,137,590	710,937	(426,653)	-37.5%	880,984	-19%	3,029,048
Other	790,139	768,520	(21,619)	-2.7%	712,148	8%	2,145,030
Subtotal Materials and Supplies	1,927,729	1,479,457	(448,272)	-23.3%	1,593,132	-7%	5,174,078
Utilities, Insurance, and Miscellaneous	2,600,880	2,587,818	(13,062)	-0.5%	2,224,925	16%	5,609,698
Purchased Transportation	3,609,839	3,536,199	(73,640)	-2.0%	3,632,981	-3%	8,750,038
Expenses Before Capitalized Operating	26,203,485	22,118,978	(4,084,506)	-15.6%	20,703,233	7%	62,243,678
Capitalized Operating Expenses	(778,684)	(759,266)	19,418	-2.5%	(406,426)	87%	(4,000,000)
Total Operating Expenses	\$ 25,424,801	\$ 21,359,713	\$ (4,065,088)	-16.0%	\$ 20,296,807	5%	\$ 58,243,678
Net Surplus/(Deficit) without Net Reserves		\$ (59,586)			\$ 1,790,029		
Net Surplus/(Deficit) with Net Reserves		\$ (59,586)			\$ 1,790,029		

February 2025 Operating Statement – Highlights

- Revenue is unfavorable by 3.4% before federal operating assistance
 - Passenger fares are lower because fixed route ridership is 10.2% under forecast
 - Sale of transportation services is slightly over forecast due to additional GRCC contract
 - State operating is low due to decreased expenses
- Expenses continue to trend under budget, 16.0% through the month of February
 - Wages and fringes are lower than forecasted due to the current personnel counts, but we remain focused on employee recruitment and retention
 - Fuel expenses continue to remain below forecasted levels due to favorable prices
- \$759,266 has been identified as eligible for Federal 5307 preventative maintenance funding to be used in the operating environment

FY 25/26 Budget Timeline



Budget Drafting

- Annual departmental spreadsheets updated by analyst
- Directors provide first drafts for upcoming year



Budget Compilation

- Budgets returned to analyst by March 31st
- Compile departmental files into annual packet



First Review

- Packet is sent to directors for review on May 27th
- Leadership meets for first packet review on June 3rd



Second Review

- Adjustments applied to budget from first leadership meeting
- Second leadership meeting on June 17th, finalizes budget draft



Board Review

- Draft budget packet is completed and sent to the Board by July 16th
- Full packet review and budget workshop at July 23rd meeting
- Official approval at August 27th meeting

Proposed FY 25/26 Budget Guidelines - UPDATED

- Funding consistent with guiding principles of enhancing frequency and a span of hours to create convenient mobility for the residents of the six cities.
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Proposed FY 25/26 Contract Service Rate

	FY 22/23	FY 23/24	FY 24/25	FY 25/26
State Operating %	31.60%	29.51%	29.20%	33.86%
Full Hourly Cost	\$97.56	\$98.20	\$102.80	\$107.83
Partner Cost	\$66.73	\$69.22	\$72.78	\$71.32
Rate with GO!Bus	\$76.37	\$80.28	\$88.10	\$87.37

- Linehaul rate decreased 2.0%
- Linehaul + GO!Bus rate decreased 0.8%
- State operating assistance credit is included in the calculation
- Two contract service rates: Linehaul only and Linehaul and GO Bus

LINEHAUL COSTS	FY 23/24 Audited	Cost per
	Numbers	Revenue Hour
Operations	\$ 25,951,015	\$ 68.61
Maintenance	8,228,378	\$ 21.75
Administration	6,609,558	\$ 17.47
Total	\$ 40,788,951	\$ 107.83
State Operating Deduction		36.51
Linehaul Rate		\$ 71.32

LINEHAUL + GO!BUS COSTS	FY 23/24 Audited	Cost per
	Numbers	Revenue Hour
Operations	\$ 25,951,015	\$ 68.61
Maintenance	8,228,378	21.75
Administration	6,609,558	17.47
Paratransit	9,177,771	24.26
Total	\$ 49,966,722	\$ 132.09
State Operating		44.72
Linehaul & GO!Bus Rate		\$ 87.37

NTD Revenue	
Hours	378,237
SOA Rate	33.8553%