

AMES TRANSIT AGENCY BOARD OF TRUSTEES

AMES, IOWA

March 29, 2016

The Ames Transit Agency Board of Trustees met on March 29, 2016 at 7:00 a.m. in the CyRide Conference room. President Haila called the meeting to order at 7:09 a.m. with Trustees Abbas, Schainker, Haila and Gartin present. Absent: Trustees Madden and Teubert.

Duane Pitcher, City of Ames Finance Director, was also in attendance.

APPROVAL OF FEBRUARY 17, 2016 MINUTES: Trustee Abbas made a motion to approve the February 17, 2016 minutes. Trustee Gartin seconded the motion. (Ayes: Four. Nays: None.) Motion carried unanimously.

PUBLIC COMMENTS: None.

CYRIDE OPERATING BUDGET CLOSING BALANCE POLICY: Director Kyras shared that at previous transit board meetings, board members had briefly discussed what the appropriate level of CyRide's closing operating balance should be to address unforeseen or higher-than-anticipated expenses that might occur during a budget year. She then explained that CyRide staff had met with Duane Pitcher, City of Ames Finance Director, to analyze CyRide's financial history and that Mr. Pitcher had prepared a memo providing recommendations on what he believed was the minimum and desired closing balance levels.

Director Kyras provided background information on the historical level of this balance compared to CyRide expenses, as well as the previous Transit Board's desire for a 15% balance.

Director Kyras shared highlights from Mr. Pitcher's document entitled, "Transit Operations Fund Reserve Balance Recommendation" memo:

- The operations closing balance should be based on total expenses as they are more volatile than revenue.
- Past budgets have fairly accurately predicted actual revenues and expenses.
- Revenue and expenses are fairly predictable throughout the year.
- As CyRide is a portion of the City of Ames' consolidated finances, it would have the ability utilized these finance for cash flow needs.
- He indicated a 5% fund balance was sufficient; however, recommended a minimum balance of 7.5% be established, and for the Transit Board to set a policy if the balance falls below the minimum.

Mr. Pitcher then clarified information contained in his memo. He indicated that his analysis was based on ten years' worth of financial data. Further, that there was only one year when CyRide's predicted expenses varied from actual expenses and that this was due to timing over two fiscal years. He also indicated that he had analyzed CyRide's cash flow on a month-by-month basis and shared some of his observations. He then reiterated that 5% was adequate, but that the Transit Board would most likely want to go slightly higher than the "adequate" amount with a 7.5% balance. He indicated he supported staff's recommendation that if the balance was between 7.5% and 10% to leave the balance, but that balances below the minimum should follow a board policy for staff to provide options on how to realign its expenses/revenues.

Director Kyras provided information on CyRide's current closing balance estimated at more than \$1.3 million at the end of the current fiscal year and that she anticipates a significant fuel saving of approximately \$500,000 in the current budget year.

President Haila asked for further information on whether the operating closing balance was needed to balance revenues/expenses on an annual basis. Director Kyras indicated that the balance varied each year, with some years increasing and others decreasing. She further stated that it had varied between a 4% and 18% balance over the past ten years. She indicated in years where it had dipped, unexpected expenses had caused the decline, such as for large spikes in fuel prices in a short period of time and for personnel issues such as worker's compensation claims. Mr. Pitcher shared that he had looked at the variance over the past 10 years and that five years the balance had increased and for five years it was lower, but that overall it was fairly insignificant variations.

President Haila inquired about what other risk factors, besides fuel, could impact this balance. Specifically, he asked about accident claims. Mr. Pitcher responded that the City of Ames has liability insurance to address these situations and that CyRide would be covered under this insurance. Mr. Pitcher further clarified that fuel was the largest factor to impact the balance, but he indicated that he believed it would not make a large enough impact to require a larger closing balance to be maintained. He stated that unrealistic budgets could also make an impact.

President Haila inquired on the revenue side about CyRide's federal funding. Director Kyras explained that CyRide's federal funding allocated for the current year is placed in the next year's budget; therefore, CyRide is always one year behind, which allows for actual budgeting unless Congress delays these decisions. She indicated that the larger revenue risk relates to the economy. Specifically, with state funding that can vary between \$650,000 and \$800,000 each year and is more immediate. Director Kyras also explained that, on the revenue side, farebox revenue has been steadily declining.

A question was raised about CyRide's student trust fund balance. Director Kyras indicated that enrollment has not decline to-date and that it was predicted to increase

again the next year. Further, she indicated that the students/ISU Administration had indicated that they are comfortable with a \$500,000 balance in this trust fund.

Trustee Madden arrived at 7:26 a.m.

Trustee Schainker shared his thoughts that he it is not as concerned about cash flow issues, but believes that that the Transit Board should be concerned about actual revenues and expenses and whether these are adequate. He shared also his concern in reviewing the information contained in the staff report regarding peer transit system balances where some system carried no or low balances.

Director Kyras shared her perspective that the peer system that was most similar to CyRide would be Chapel Hill, North Carolina based on their similarity in enrollment, population and funding structure. She indicated that this system has an 8% goal, but is currently holding a 12% balance.

Trustee Gartin shared his thoughts that CyRide should consider its older fleet age and the impact that higher maintenance costs would have on CyRide's financial situation and its impact on the closing balance. He also shared his concern about CyRide's current driver shortage and how this could impact the budget, closing balance and the level that is set for this balance. Mr. Pitcher shared that the expenses Trustee Gartin referred to would be addressed in accurately developing the budget each year as opposed to the relying on the closing balance for these items. Trustee Schainker concurred.

President Haila referred to CyRide's Student Government Trust Fund indicating that it can be unpredictable as enrollment changes. Trustee Madden shared his thoughts that the Trust Fund is a separate reserve account for CyRide and its purpose is to smooth out student fees when enrollment variations occur. However, he indicated that in a worst-case scenario these funds could be used for an unanticipated major financial situation.

Trustee Schainker shared that he preferred waiting until the end of the year to determine how to address funding in excess of the established operating closing balance. Director Kyras indicated that this was staff's recommendation as well and that this issue would be addressed in the next agenda item.

Director Kyras shared with the Transit Board CyRide staff's recommendation that a minimum balance of 7.5% be established, with a goal of 10% and adoption of a policy that when the balance falls below the minimum, to provide the Transit Board with options to address the declining balance.

Clarification questions were asked about this recommendation as opposed to the other alternatives provided to the Transit Board. Director Kyras shared how the recommended alternative would work:

- If the balance is in excess of 10%, the Transit Board would review the balance each year after the annual financial audit is completed and decide how to address the funds in excess of the policy.
- When the balance is below 10% but above 7.5%, no action would be taken.
- When the balance is below 7.5%, CyRide staff would provide options to the Transit Board on how to address the lower operating closing balance.

Trustee Gartin said that the Transit Board would have the opportunity to reassess the operating closing balance policy at any time if board members desired to modify any portion of the policy.

Trustee Gartin moved Alternative #2 to establish a minimum closing balance of 10.0%, and direct staff to provide the Transit Board with options to raise revenue/lower expenses when fund levels are below this minimum. Trustee Schainker seconded.

Trustee Madden shared his opinion that he believed Alternative #1 was the preferable alternative to establish a minimum balance of 7.5% with a closing balance goal of 10%, stating that reserving too much in a balance would take away from the services CyRide can provide.

Trustee Gartin indicated he is typically more financially conservative, but understood the reasons to have the balance lower at 7.5%. He indicated that he was more comfortable; however, with the higher 10% minimum balance.

Trustee Schainker requested clarification on how CyRide would address balances above and below an established minimum. Director Kyras shared that if the minimum was established at 7.5% and the goal at 10%, then if the operating closing balance was at 8 or 9% at the final audit, then no action would be taken, but if it fell below 7.5% then staff would address this issue with the Transit Board.

Trustee Madden shared that CyRide's capital needs for buses and facilities are substantial and that CyRide will always have needs in these areas, so a lower operating balance would allow these funds to be used to address these capital issues.

Trustee Gartin asked board members if they were comfortable with the differences between Alternative #1 and Alternative #2. Board member's thoughts were then discussed with confusion on how, specifically, they differed. Director Kyras further explained the difference between the two alternatives by providing an example for Alternative #1. She indicated that if the Transit Board approved a budget with a 10% operating closing balance and additional expenses were incurred (fuel prices increase significantly) that dropped the balance to 8.5%, then staff would not bring options to the board to address budget shortfall. However, if the additional expense dropped the closing balance to 6%, then options would be discussed with the Transit Board.

Trustee Madden stated that he believes the 7.5% to 10% range was reasonable, and was concerned that having a larger balance would require the local funding partners to increase their costs to have more dollars in reserve. He indicated he would not be supportive of this.

Trustee Schainker shared his thoughts that setting a firm policy will lead to difficult Transit Board decisions in the future if the balance falls below the minimum balance established. Further, he shared that the Transit Board has never been forced to make a tough decision on service levels as a result of unanticipated revenue/expenses and a policy will force action to be taken.

Following the discussion, Trustee Gartin indicated that he understood the value of Trustee Madden's guidance rescinding his original motion and moving Alternative #1 to establish a minimum balance of 7.5%, a closing balance of 10%, and direct staff to provide the Transit Board with options to raise revenue/lower expenses when fund levels are below the minimum. Motion seconded by Trustee Schainker and original second rescinded. (Ayes: Five. Nays: None.) Motion carried.

Trustee Gartin shared that he had found the information provided to be very helpful and suggested that the policy be included as part of CyRide's new board member orientation. Trustee Gartin also thanked Mr. Pitcher for his thoughtful analysis.

CYRIDE OPERATING BUDGET CLOSING BALANCE DOLLARS: Director Kyras stated that, based on the action taken in the previous agenda item establishing an operating closing balance policy, the Transit Board would need to decide how to address the additional operating closing balance funding above 10%. She indicated that the Board could take action at this board meeting or could defer action until after the 2015-2016 audit is completed. She then provided information on the dollar amount in excess of 10% operating closing balance established (approximately \$400,000). She indicated that if the recommendation was to take action at this board meeting, that she would recommend the funds be transferred to CyRide's capital budget to be used for local share for buses and/or facilities.

Director Kyras shared with the Transit Board that, on her recent trip to Washington, DC, she had learned more about the new Bus and Facilities Competitive Grant and that it will fund facilities as well as buses up to \$26.7 million in federal share. She indicated that this would provide a federal funding source for facilities that had not existed for over five years.

Trustee Schainker asked if this was 80/20 federal money and Director Kyras stated that the program rules had not been published yet so was not sure at this time. She also shared that in her meetings, federal officials had indicated that the applications could be

submitted by the end of 2016. Director Kyras indicated that it was her desire to prepare information concerning CyRide's long-term facility options by fall and then be ready to submit an application when the grant is available.

Trustee Schainker moved Alternative #1 to table Transit Board action on the operating closing balance until the 2015-2016 budget year audit is finalized and then include a policy discussion on the balance at a Transit Board meeting thereafter. Trustee Abbas seconded the motion. (Ayes: Five. Nays: None.) Motion carried.

FY2015/16 AND FY2016/17 BUDGET SAVINGS FROM ICAAP GRANT: Director Kyras provided history on the past two ICAAP grants for operating projects and its impacts on the 2015-2016 and 2016-2017 budgets. The result is an operating savings in each of the two budgets for services that students paid 100% for at the time the budgets were approved. The operating dollar savings in each budget year is as follows:

- 2015-2016 - \$158,334
- 2016-2017 - \$384,000

The total two year savings will be \$542,000. Director Kyras explained that the board will need to decide how to apply this savings in the budgets and provided three alternatives as identified in the information provided in the meeting materials.

Trustee Schainker requested clarification on how the cost of service increases, which were paid for by students, is shared after the initial year. Director Kyras said that students pay for one year and then the next year, the additional costs are added onto their base amount. She then provided an example of how this works (\$4 million student share in year 1, students add a route costing \$200,000 in year 1 makes the total cost \$4.2 million, in year 2 the base amount for students, before any additional increase, would be \$4.2 million).

Trustee Madden shared that student costs are increasing and that they are being asked to pay a larger share of CyRide's total expenses. He also indicated that Iowa State's enrollment is projected to increase another 500 to 700 students next year, so that CyRide's demand for service and ridership would most likely increase as well, which could require more buses, particularly with the new development on South 4th St. Therefore, his opinion was to add this savings back into the Student Trust Fund. Trustee Abbas concurred, indicating that if there were other needs, students could determine if these funds should be allotted based on a case-by-case basis.

Director Kyras clarified that the 2016-2017 budget included five more hours per day of service to address increases on routes.

Trustee Madden reminded the Transit Board that student fees have been set for next school year and were increased. This, combined with higher enrollment, will generate more revenue for CyRide, but that CyRide's demand could also potentially increase.

Trustee Abbas shared that he believed that the savings created by the two ICAAP grants should be returned to the students.

Trustees requested information regarding the eligibility requirements of the ICAAP program. Director Kyras shared that new routes can be funded at 80% for the first three years of their service and pointed out at the end of the three years, the community would then need to fund the entire cost of the route.

Trustee Madden shared additional information regarding student costs. He indicated that there was a reasonable probability that student tuition will increase, as the State of Iowa is not willing to fund the university's budget increase request.

Director Kyras clarified under the proposal being discussed that the students would still pay their approved budgeted share, which includes the services approved in the ICAAP grant, but that the savings created by the grant award would be added to the CyRide Student Government Trust Fund balance.

Trustee Madden shared that enrollment can have a dramatic impact on student costs and putting the ICAAP grant savings back into the reserve account will allow for their cost increases to be mitigated.

Director Kyras shared that CyRide had predicted what semester student fees would need to be in the future and indicated that \$4 to \$5 increases per year were typical, but possibly this could be reduced if the savings were placed in the student's Trust Fund.

Trustee Schainker made a motion to approve Alternative #2 for the transfer of ICAAP funds received in the 2015-2016, 2016-2017 and 2017-2018 budget years for the Blue, Brown, Green and Plum Routes to the Student Government Trust Fund as grant payments are received. Trustee Abbas seconded the motion.

Trustee Gartin asked if the grant being discussed was received each year and Director Kyras said it was a competitive grant and is not guaranteed. CyRide was awarded funding last year, and this year, from the competitive grant program and the reason for the savings is because students were asked to pay for this service prior to submitting a grant application. Gartin questioned whether the transit board was setting a precedent in applying for a grant when funding had been secured. Director Kyras shared that the timing of the grant would never coincide with the annual budgeting process, so if CyRide applied for funding on a new service in the future, the same situation could occur if a grant was later approved.

Trustee Schainker shared his thoughts that returning funding to the Trust Fund did not set a precedent as the next ICAAP application could be for a service where all three funding partners had committed to the new service and the grant savings would be applied to all three parties.

After additional discussion, Trustee Schainker amended the motion to include a recommendation with the understanding that this action to transfer the money back to the students does not set a precedent in future situations and is based upon case by case circumstances.

President Haila called for the vote. (Ayes: Five. Nays: None.) Motion carried.

Trustee Abbas asked when CyRide would apply for the next round of ICAAP funding. Director Kyras said October 2016, and if another grant is approved, staff would bring this topic to the Trustees for discussion on how to address the savings.

FACILITY SPACE UPDATE – SHORT TERM OPTIONS: Director Kyras recapped information presented at the previous board meeting regarding the lack of space at CyRide’s current site, then shared the short-term sites that staff had researched over the past month - City Warehouse on Edison St., realtor space at E. Lincolnway and Dayton, and former Van Wall building by the airport (ISU warehouse). The following recaps the information presented.

- Former Van Wall site -
 - Accommodates four to six buses
 - Grass surface
 - Improvements - asphalt surface at \$45,000, light fixtures at \$5,000, and electric at \$5,600.
 - Advantages - Closer to a majority of CyRide routes
 - Disadvantages - Smaller site, no expansion possible

Trustee Gartin asked about putting in pervious pavers and managing water on the site. Barb Neal, CyRide’s Operation’s Assistant, indicated that pervious pavement had been researched and the weight of the buses would not allow this to be a consideration.

- City Warehouse (Edison St.) -
 - Currently being used by City as a Police impound lot.
 - Accommodates 15 to 25 buses
 - No cost to CyRide to use this space
 - Improvements – Eastside fence would need to be removed and replaced, new gate, additional gravel for parking lot, additional lighting and electrical. Total cost \$43,000.

- CyRide could share this location with the Ames Police Department until they relocate.
 - Expansion possible
 - Advantages – Lower cost, larger site
 - Disadvantages – Remote location compared to routes
 - CyRide does not plan to operate from this location next year, but use this as storage and shuttle buses between the two sites as needed
- Realtor Site (former Universal Harvester site at Lincolnway and Dayton)
 - CyRide staff met with Realtor Dan Hunziker to tour the site
 - Accommodates 20 vehicles in 35,000 square foot building
 - Lease rate would be \$152,060 plus utilities
 - Brent Schipper, CyRide’s architectural consultant, checked with the City’s Inspection Department to determine if there were any impediments to CyRide leasing this site and found that it would need to be brought up to code. The estimated cost to accomplish this was calculated to be approximately \$200,000 (ADA requirements, sprinklers, insulation, etc.)
 - Improvements - Two overhead doors to maneuver buses
 - Advantages – indoor bus storage
 - Disadvantages – Higher cost (in excess of \$50,000 in budget)

Director Kyras explained that after consideration of the three sites, that staff believes the City Warehouse site best fits CyRide’s facility needs for the short-term.

Transit board members discussed other alternatives, such as CyRide’s parking lot, the parking lot north of Frederiksen Court and Brookside Park. Issues were found for each of these sites.

Trustee Madden made a motion to approve Alternative #1 to secure the City Warehouse site for bus parking for the next fiscal year and begin the improvements necessary to utilize the site. The motion was seconded by Trustee Abbas. (Ayes: Five. Nays: None.) Motion carried.

Trustee Gartin asked Director Kyras to investigate the need for additional insurance for this site.

FEDERAL OPERATING GRANT APPLICATION SUBMITTAL APPROVAL: Director Kyras introduced the application, which is an annual item. In the consideration of time, President Haila asked if there were any questions regarding the grant and there being none, Trustee Gartin made a motion to approve Alternative #1 to authorize the Transit Director to execute and file a Section 5307 grant application in the amount of \$1,974,304 to the Federal Transit Administration. Trustee Schainker seconded the motion. (Ayes: Five. Nays: None.) Motion carried.

DMACC SERVICE REQUEST: Director Kyras shared that DMACC had indicated an interest over the years for evening bus service to their Hunziker facility in southeast Ames and had recently offered to pay 100% of the cost to provide this service under a three-year contract. She indicated that if this service began under a contract with DMACC, CyRide and DMACC would be able to gauge the need for this service during the contract period.

President Haila said the location of where the DMACC facility is located creates a transportation challenge, but if representatives are willing to pay for additional service, this should be considered. He also indicated that including this facility in the upcoming System Redesign Study would be appropriate.

Trustee Gartin shared his concern about adding service while CyRide was experiencing a shortage of drivers. Director Kyras indicated that this service would not require additional drivers or buses as it would be added onto current driver shifts.

Trustee Gartin made a motion to approve Alternative #1 for the operation of two evening trips to DMACC for the next three-year period and direct staff to develop a contract with DMACC for consideration by the Transit Board at a future board meeting. Motion seconded by Trustee Abbas. (Ayes: Five. Nays: None.) Motion carried.

Trustee Gartin asked if DMACC students could pay a fee structure much like Iowa State students and would like them to consider adopting the same model as ISU. Trustee Madden explained DMACC has a different type of class offering and was unsure whether this model could work for their program.

QUARTERLY OPERATIONS REPORT (OCT – DEC 2015): Director Kyras explained the highlights:

- Ridership is steady year-to-date, but lower in the second quarter -2.6%. Contributing factors: mild weather and additional housing located close to campus.
- Farebox revenue is lower with fewer non-students using CyRide service. Contributing factor: lower gas prices.
- Expenses for passengers are stable
- Maintenance - more cleaning of buses, more road calls, minor and major mechanical, maintenance costs are lower because of fuel.

President Haila asked about having fuel in the maintenance expenses as it tended to mask true maintenance costs. Director Kyras indicated that the City's budget process established this structure.

- Accidents are higher. CyRide staff is currently analyzing the information to see if trends can be addressed.
- Customer comments are higher with more requests for additional services; more investigation finding drivers not at fault as well as more driver errors.

- Dial-A-Ride ridership is up 3.4% and farebox revenue is higher
- Moonlight Express ridership is lower for the quarter, but higher year-to-date.

TRANSIT DIRECTOR'S REPORT:

- **Driver Hiring/Training** – Director Kyras provided data on the number of open hours not assigned to drivers due to CyRide’s driver shortage. She indicated that CyRide had started the current school year at more than 750 open hours and due to employment separations, approximately the same number of hours was open to begin the spring semester; however, since then, CyRide had been able to reduce the number of open hours by more than 100 hours. Barb Neal indicated CyRide operates a total of approximately 5,000 hours per week. Transit Board members asked if the incentives approved by the Transit Board in January were making an impact. Director Kyras indicated that it was still early, but would provide information in the future on this issue.
- **Overtime** – Director Kyras indicated that overtime was higher this year because of the number of open hours. Overtime expenses were \$128,471 through March 2016 compared to \$101, 238 for the last fiscal year. CyRide’s current year budget is \$95,000. With lower fuel costs, CyRide should still have a positive ending balance.
- **Washington DC Trip** - Director Kyras shared information regarding the new FAST Transportation Bill that she received during her trip to Washington DC with the Iowa Public Transit Association. There is a new competitive funding program for buses and facilities.
- **Dial-A-Ride Survey** – This survey has been distributed and the results will be shared with board members next month as part of the discussion on renewing CyRide’s contract with HIRTA for this service.
- **CIT Contract** – CyRide staff will prepare information for board consideration at next month’s meeting regarding CyRide’s demonstration project with CIT to operate portions of the Cardinal Route.
- **Copper Beech** – Under the Copper Beech contract with CyRide for service, it was to notify CyRide by March 1st if they desired to terminate/modify service. CyRide did not receive a notification and has billed this business for next year’s expenses.

Director Kyras also shared that she had received notification from Chris Strawhacker, ISU Facilities Management & Planning, that the university has established addresses for its buildings on campus, which will impact CyRide. She indicated that the new address would be 601 North University Blvd. and would require changing signage, paper products, etc.

DATE OF NEXT MEETING AND TIME: April 29, 2016 at 8:00 a.m.

Trustee Gartin called for adjournment at 8.57 a.m. Seconded by Trustee Schainker. (Ayes: Five. Nays: None.) Motion carried.

John Haila, President

Joanne Van Dyke, Recording Secretary