



**MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
JOINT MEETING OF THE STANDING COMMITTEES ON FINANCE AND
AUDIT**

December 4, 2014
2:00 pm
MBTA Boardroom, 3rd Floor
Ten Park Plaza
Boston, MA 02116

Members: Committee Chairman Dominic Blue, Director Joseph Bonfiglio

Present: Committee Chairman Dominic Blue, Director Joseph Bonfiglio, Director Jenkins, and Directors Loux and Chase via telephone.

OTHERS PRESENT:

Dana Levenson, Chief Financial Officer MassDOT, Dr. Beverly Scott, General Manager, Celia Blue, Registrar, Owen Kane, Special Counsel to the Board, Clinton Bench, Thom Dugan, Joe Connolly, Joseph Pesaturo, Brian Kane, Subhash Mundel and Paula Fallon.

Proceedings:

Chairman Blue convened the meeting at 2pm noting there was no one signed up for public comment. Director Chase and Loux are participating via telephone.

Next the Committee approved the minutes for November 12, 2014.

On motion duly made and seconded, it was;

VOTED: to approve the minutes of November 12, 2014 as presented.

The first item on the agenda presented by Clinton Bench was the briefing on the Youth and University Pass pilot programs. Mr. Bench went through the background of the programs. General Manager Scott and Secretary Davey signed an MOU with advocates that stated that the MBTA would create a working group to develop a Youth Pass pilot program. The work would progress along with the complementary University Pass (UPass) pilot program development. The UPass would be an agreement for universities to purchase transit passes for all students for the academic year and provide revenue for the MBTA and mobility at a reduced fare for students. The Youth Pass will expand the \$26 student pass to all people age 12-18, regardless of whether their school offers it, and selected people age 19-21. MassDOT/MBTA intended to mitigate the youth transit affordability crisis. The pilots are designed to test these programs, better understand the market for the programs, and gather data for a cost/benefit analysis. Next Mr. Clinton went through the goals. The pilots should be as simple as possible to implement. The Pilots should provide sufficient data collection and analysis to examine impacts, be designed to discourage fraud and data will be shared between participating organizations and stakeholders. Both programs are to test feasibility with regard to administration, distribution, fraud prevention and data collection, to collect and analyze data to better project the impacts of both programs, develop systems to implement them, and design the pilots to limit negative impacts on the MBTA's revenue stream. The Youth Pass price and eligibility; Offer a \$26 monthly pass, or a \$7 7-day pass to 1,500 participants

through partner agencies in participating municipalities (Boston, Chelsea and Cambridge). The participants will be: age 12-18, age 19 if still in school, or age 19-21 via "targeting" screens. The Screens include; proof of enrollment in education program, workforce training program or very low income. The Youth Pass administration: Partner municipalities will be largely responsible for administration of the pass. LOI's are signed with MOUs to follow. The retail sales terminals will be distributed to partner agencies, participants will purchase pass at these locations. The Youth Pass duration and cost will begin in July 2015 and last for 12 months. The Title VI Service & Fare Equity Analysis to be conducted so it can proceed beyond 6 months. The program is expected to result in \$793,000, including forgone revenue (CTPS analysis) and administrative costs. Mr. Bench ended with the next steps for the UPass and Youth passes. The continue discussions with University administration, involving the CFO and other high-level officials. Develop contractual agreements, evaluation plan and implementation plans. For the Youth pass the pilot cost is expected to be offset by revenue from the UPass pilot. The MBTA and advocates will continue to work with partners in Boston, Chelsea and other municipalities, signing MOUs by March. Detailed data will be gathered and analyzed to test all assumptions made and measure the impacts of the pass programs. The Committee suggested that Mr. Clinton and his group open up the University pass to more local Universities especially the Community Colleges and State schools. They also suggested making more options available to the schools.

On motion duly made and seconded, it was;

VOTED: to recommend the youth and university pass pilot programs to go before the Board.

The next item on the agenda was the briefing on the Driver License Procurement presented by Registrar Blue. The Registrar went through the background on the current contract with MorphoTrust. Next she went through the project overview. The Driver license ID (DL/ID) card and associated services contract length would be for 5 years plus three 1-year options with an estimated total contract value of about \$40M. The pricing is a cost-per-card pricing for all equipment, solutions and services. The response submission deadline is December 12, 2014, the notification of award will be in February 2015 and the implementation date is targeted for January 2016. The procurement goals are a highly secure & readable DL/ID card, enhanced security and improved accuracy of the facial recognition algorithm, Real ID compliance, ability to function with existing ALARS system and RMV Modernization, improve the customer experience and reduce time per DL/ID transaction, improve driver knowledge and skills testing, expand self-service options (i.e. kiosks), robust reporting and reconciliation capabilities, and meet new supplier diversity goal – 10% of total contract value for Supplier Diversity Program businesses. The Registrar ended with the current market and vendors in the industry. There is a limited pool of vendors that can provide central issuance of DL/ID cards. The industry has consolidated over the last decade (via acquisitions) within the US market with

one vendor currently holding 82% of the DL/ID card market share within the US (41 out of 50 states). There is an increased interest by international based vendors to enter North American market.

The next item on the agenda was MassDOT's first quarter fiscal year 2015 Massachusetts Transportation Trust Fund Financial Results presented by Thom Dugan. Mr. Dugan went through the executive summary on the condensed Operating Revenue and Expenditures Statement for Fiscal Year 2015 through period ending September 30, 2014. The report details variances in revenue and expense categories of the budget, all of which have resulted in estimated net revenue of \$75.1 million for the quarter. This report, as compiled on a cash basis, reflects revenue and expenditures recorded onto the Commonwealth's central accounting system MMARS (Massachusetts Management Accounting Reporting System). Total revenue was \$290.2 million, which is \$21 million (7.8 percent) over budget. Total expenses were \$168.7 million, or \$28.5 million (14.4 percent) below budget. The FY2015 Forecast has several outstanding issues and risks require attention as the department continues through Q2 and the rest of the fiscal year. In November, the Administration announced an approximate \$325 million budget gap within the \$37 billion state budget. This gap is a result of a \$70 million loss of revenue due to the automatic reduction of the income tax and certain fees, taxes and reimbursements not achieving benchmark levels. Because of this gap, the Secretary for Administration and Finance recommended, and the Governor approved, a series of budgetary reductions.

MassDOT's and the MBTA's share of the budget reduction target is \$9.95 million. To meet this target, MassDOT will cut budgeted vacancies as well as \$600,000 in aid to the Regional Transit Authorities, a 0.75 percent to their total \$80 million in state aid. The budget reduction was enacted on November 20. The Q2 budget report will reflect the reduction in both the anticipated state revenues to transportation and payroll and state aid line items. The FY2015 snow and ice expenditures may exceed budgetary projections based on anticipated snowfall and the 25 to 35 percent increase in salt prices. Management and the Board will need to assess spending and revenue projections to determine how and if projected budgetary surpluses can be used to offset a deficiency when it is occurred.

The next item on the agenda was the MBTA's first quarter fiscal year 2015 financial results presented by Joe Connolly. The report details line item variances in revenue and expense categories, which have resulted in a deficit of \$2.8 million. As September year-to-date was budgeted with a \$4.2 million surplus, revenue and expenses underperformed to budget by \$7.0 million. It is important to note, however, that the year-to-date bottom line deficit is totally attributable to timing in the receipt of state contract assistance. The Authority's total revenues underperformed to budget by \$28.8 million primarily because of the aforementioned delay in receiving state contract assistance. The subset of operating revenues, which include fares, parking, and tenant revenue, performed better than budget by \$6.6 million (4.0%). Fares accounted for the majority of the

strong operating revenue performance with fares exceeding budget by \$6.4 million (4.2%) and posting gains of \$11.5 million (7.7%) over the same period in the last fiscal year. The operating expenses were favorable to budget by \$21.1 million (5.6%). Debt service expenses were under budget by \$0.7 million (0.7%). Combined, total expenses were favorable to budget by \$21.8 million (4.5%). The Authority's first quarter results do not reveal any serious risks in achieving a positive bottom line at year's end. Providing that fare revenue trends hold, the Authority should achieve its total revenue target in spite of a 9C cut in state contract assistance of \$2 million. Wages should remain positive because of outstanding vacancies and though two unions have moved to interest arbitration, the Authority continues to accrue according to the pattern set by Local 589 and is optimistic that an arbitrator will honor the pattern. Healthcare spending is a bit difficult to predict because of the unknown start date of the remaining unions joining the GIC. Likewise, THE RIDE costs under purchased local service expenses will be affected by ridership levels for the remainder of the year. The Authority will provide a more detailed projection after the second quarter.

The final item on the agenda was a briefing on the MBTA Futures presented by Brian Kane. Mr. Kane went through the process. On June 27, 2014 the MBTA issued a Request for Proposals for consultant services for a diagnostic review in order to assist the MBTA in developing a strategic work plan for its future (the "Futures" RFP). On July 29, 2014 the MBTA received responses from three firms, KPMG, EY, and Parsons Brinckerhoff. Upon further review and with

the assistance of the General Counsel's office, the MBTA determined that some of the documents that compiled the RFP (the Instructions to the Proposers, the Evaluation and Selection Criteria, and the General Terms and Conditions) had inconsistencies that may have confused proposers. After much deliberation, the solicitation was cancelled, proposers notified, and price proposals were returned unopened. The new RFP documents are currently being re-drafted in order to clearly instruct proposers on submission requirements, the evaluation and selection process, and the required contract terms and conditions. In addition, the redrafted RFP includes a DBE goal of 14%. The solicitation will be re-advertised the week of December 8, 2014. A pre-proposal meeting with all interested parties (prime contractors and DBEs) will be scheduled for the week of December 15, 2014 and proposals will be due on January 13, 2015. They expect to conduct presentations and interviews with proposers in mid February and to complete the evaluation process by the end of February, 2015. In addition, they are committed to issuing Notice to Proceed (NTP) in April, 2015 in order to allow for the results of the Rapid Diagnostic Review to be included in the next round of budget development. Mr. Kane stated that they will come back periodically before the Finance Committee to keep them updated.

On motion duly made and seconded, it was;

VOTED: To adjourn

Documents relied on in meeting

Minutes for November 12, 2014
University and Youth Pass Powerpoint
RMV Driver License Powerpoint
MassDOT Q1'15 Budget Results
MBTA Q1'15 Budget Results
MBTA Futures Memo

