

**RECORD OF THE PROCEEDINGS
SKAGIT TRANSIT BOARD OF DIRECTORS**

Wednesday February 19, 2020

The Skagit Transit Board of Directors met in regular session in Burlington, WA. Chair Dahlstedt called the meeting to order at 1:00 p.m. followed by the Pledge of Allegiance, Roll Call, and Introductions.

Members Present:

Kenneth Dahlstedt, Skagit County Commissioner (Chair)
Ron Wesen, Skagit County Commissioner
Julia Johnson, City of Sedro Woolley, Mayor
Steve Sexton, City of Burlington, Mayor
Rick DeGloria, City of Burlington, Councilmember
Jackie Brunson, Skagit County Treasurer
Christine Cleland-McGrath, Anacortes Councilmember
Soren Jensen, Labor Representative (non-voting member)

Staff Present

Dale O'Brien, Executive Director
Arden Flores, Manager of Finance & Admin
Allan Schaner, Maintenance/Facilities Manager
Mark Kennedy, Operations Manager
Brad Windler, Planning and Outreach Supervisor
Marcy Smith, Grants Administrator
Tiffany Guwin, Interim Clerk to the Board

Members Absent:

Laurie Gere, City of Anacortes, Mayor (Vice Chair)
Lisa Janicki, Skagit County Commissioner
Jill Boudreau, City of Mount Vernon, Mayor
Mark Hulst, City of Mount Vernon, Councilmember

Members of Public:

None

Providing Legal Counsel:

None

I Public Comment:

None.

II Consent / Action Items:

- a) Approval of January Meeting Minutes
- b) Approval of Claims and Payroll

January Payroll Direct Deposit and Checks #16382 – 16391	\$684,097
January Direct Federal withholding transfer	\$162,569
January Claims Checks and ACH #38501- #38689	\$1,212,140

Mr. Sexton moved to approve all Consent / Action items. Mr. DeGloria seconded the motion. The motion passed unanimously.

III Full Discussion/Action Items:

- a) Monthly Budget Update Reports for January

Mr. Flores read the Budget Update as presented in the Agenda Packet. Items of note include Skagit Transit received \$1,032,551 in sales tax revenue for the month of January 2020. Skagit Transit also received \$146,246 in State and Federal Grant reimbursements this month. Capital Expenditures included Three (3) Paratransit Vehicles totaling \$405,636, a Tractor/Mower totaling \$15,346, and Zonar Electronic Inspection Devices for \$13,020.

Ms. Johnson moved to approve the January Monthly Budget Update. Mr. Sexton seconded the motion. The motion passed unanimously.

- b) Approve the Modification to Board Approval for the Purchase of Six (6) Cutaway Buses

Mr. Schaner read the following Information - During the July 2019 Board Meeting, the Board approved the purchase of six (6) Cutaway type buses. The information summarized in the original approval states: The 2019 Capital Budget provides for the purchase of six (6) Cutaway type buses to replace Paratransit Buses #748/749/750/754/755/756. This information is not accurate. The correct statement should be: The 2019 Capital Budget provides for the purchase of three (3) Cutaway type Buses to replace Paratransit Buses #754/755/756 and three (3) additional Cutaway type expansion paratransit buses.

This purchase has been rolled over to the fiscal year 2020 budget and no other information in regards to this purchase has changed. The vehicles are expected to arrive around March of 2020.

The total cost is \$838,830 for Six (6) Paratransit Buses, which includes 3 replacements and 3 expansion. There is no Budget Impact because a Grant pays 100% of the expense.

Commissioner Wesen asked why this is being brought up after 6 or 7 months. Mr. Schaner responded that now that the Vehicles are complete and ready to be received, he realized he misspoke when he originally presented this purchase to the Board of Directors as Six (6) Replacement buses.

Mr. Wesen moved to approve the Modification to Board Approval for the Purchase of Six (6) Cutaway Buses. Ms. Johnson seconded the motion. The motion passed unanimously.

- c) Approve the Revision to the Community Advisory Committee Bylaws

Mr. Windler read the information as presented in the Agenda packet stating that a change to the Bylaws includes: Allows members to take a Leave of Absence if they are going to miss 2 or more meetings in a row. Members on a Leave of Absence do not count towards quorum.

At its January meeting, the CAC moved to revise the Bylaws.

The recommendation from Staff is to approve the revised CAC Bylaws as distributed to the Board.

This change came about because of meetings last fall when enough members were absent 3 meetings in a row, preventing a Quorum. If this rule had been in place they could have adjusted for what qualifies as a Quorum. The CAC wants to be sure they can meet monthly to make recommendations and decisions on Policies and Programs that are brought forth to them.

Mr. Sexton moved to approve the Revision to the Community Advisory Committee Bylaws. Mr. DeGloria seconded the motion. The motion passed unanimously.

- d) Approve the transfer and borrowing from the Reserve funds to pay for nine (9) Buses and six (6) Paratransit Vehicles.

Mr. Flores stated that he has a short powerpoint presentation to accompany this discussion, so he asks that all members hold their questions until he has completed his presentation.

The information presented by Mr. Flores is:

Reserve transfer

Skagit Transit expects the delivery of nine (9) Fixed Route/Commuter Buses and six (6) Paratransit Vehicles in March 2020. Total payments for the Buses are expected at \$4,805,983, and for the

Paratransits at \$838,850, as also noted in the Board approved FY2020 Budget. Federal and State Grants are paying for a majority of the total for the Buses, with the local Agency match expected to be \$1,384,907. The Paratransit Vehicles are 100% Grant funded.

The Agency has established Board approved reserve accounts including a Capital replacement reserve and a Non-designated reserve account. Transfers within and out of these accounts require the approval of the Board of Directors.

We are requesting a transfer out of the Capital replacement reserves and Non-designated reserves in the following amounts to be able to meet our local grant match to be used to pay for the Buses.

Non designated	\$692,454
Capital replacement	<u>692,453</u>
	\$1,384,907

Reserve borrowing

Although noted that Grants pay for the majority of these capital purchases, all our Grants whether state or federal, are on a reimbursement basis. The Granting Agencies require that the payment has been made for the vehicles prior to requesting for reimbursement. Skagit Transit does not have enough balance in our general operating cash account to be able to prepay this entire amount prior to requesting for reimbursement. We are requesting to borrow a total of \$3,000,000 to come from our total reserves to ensure there is enough cash in our operating cash account to pay for the total purchase. Historically it has taken approximately between two weeks to a month to be reimbursed by the Grantor after submitting the request. The Grant reimbursement will immediately be deposited back to the respective reserve accounts upon receipt.

The Staff recommendation is for approval to transfer and borrow from the reserve funds to pay for nine (9) Buses and six (6) Paratransit Vehicles.

Mr. Flores moved to the powerpoint presentation to describe Skagit Transit's current cash reserves, current needs, and planned changes to the reserve accounts. He presented the current reserve balances as discussed in the earlier Monthly Budget Update. Mr. Flores presented the 2020 request from reserves to cover the Local Match portion of expense for Nine (9) buses and the MOA2 Phase 1 Construction, \$1,830,531. This request would leave the overall reserve balance at \$4,458,304. This is the total reserve request for the year.

There are Four (4) current categories for the reserve accounts – Operating, Facilities, Capital Replacement and Non-Designated. It is proposed that these be changed to Operating, Revenue Vehicles (excluding support vehicles), Capital Replacement (including facilities and support vehicles) and Non-Designated.

Past resolutions have required the Operating reserve category to have the equivalent of 2 – 3 months of operating expenditures (best practice is 2 months). It easy to determine what value should be maintained in the Operating category because of Resolutions, but the other category's balance targets have not been evaluated in the past. The current budgeted Reserve balance at year end after the transfers for the new Bus and MOA2 Phase 1 will be \$4,458,304. It is hard to determine if that is an adequate remaining balance.

After research, the following is a suggestion for the balances in the newly suggested categories that will hopefully be brought forth for board approval in the next month or two:

The minimum and target balances for the Operating Reserve account will not change. The Minimum balance would be 2 months' worth of operating expenditures, amounts based on prior year audited financial statements. And the Target balance would be 3 months of operating expenditures.

The suggested Minimum and Target balances in the Revenue Vehicles account was presented as a Minimum balance equaling the next year's local cash requirements for purchases included in the six (6) year Transportation Development Plan (TDP). And the Target balance would equal the next two years of

local cash requirements for purchases included in the 6 year TDP. State and Federal Grants have consistently funded this category with a local match between 0 – 35%, mostly 20%. The reserve calculation will be based on the higher amount of 35%, and that will be the amount that is put into this account to fund expenditures. This allows for an easier methodology to fund this account.

The suggested Minimum and Target balances in the newly suggested Other Capital Replacement and Expansion category is a Minimum balance equaling the next year's local cash requirements for purchases included in the six (6) year Transportation Development Plan (TDP). The Target balance would equal the next two years of local cash requirements for purchases included in the 6 year TDP. This category is separate from the Revenue Vehicles account because it is a little hit and miss as far as when funding for Other Capital Replacement and Expansion is needed. Although efforts are maximized to obtain grant funding for this category, historically Skagit Transit has used a combination of Grants and Local funds to pay for items in this category. The funding model for this account is based on the model used at Whatcom Transportation Authority (WTA).

The non-designated reserve account would have a minimum balance of \$500,000 and a Target balance of \$1,000,000. These suggested balance amounts are arbitrary, but it is a separate account available if needed.

Board approval and plan for replenishment would be required if any reserve account falls below the minimum balance.

If we were to use our current TDP (FY18, which will be updated later this year) and other Planned Methodology based on current projects that have been identified so far, what would the balances look like? Instead of an overall balance of \$4,458,304, we would have a Minimum Balance of \$4,278,375 and a Target Balance of \$6,912,727. This is a good starting point and it is still being refined, but hopefully a final plan will be put together for Board approval in a few months.

Mr. Sexton asked Mr. Flores why the overall Target Balance using the new methodology is only \$6.9 million when at the beginning of 2019, the overall reserve account balance was \$8.8 million? How do we see the amount increasing from the current \$4.5 million to \$6.9 million? Mr. Flores answered that we have been in a major capital replacement cycle. In 2012, we only purchased 3 buses. We purchased 5 last year, and now 9 this year (Fixed Route buses are over \$0.5 million each). We should have about 10 years or so to build back up these reserves. Mr. O'Brien also stated that many years ago, we were unable to purchase buses from Gillig, so we purchased many at that time that were not as heavy duty as Gilligs, with shorter life cycles. We are now at the point of that recovery phase needing to replace many at once, but it will be with buses with much longer life cycles. And we are going to change the way we purchase buses so it is not so many at once. Mr. Schaner stated the new Fixed Route buses have useful lives of 12 – 15 years, so we have a 3 year period to work with to replace buses. Paratransit buses have been increased from a useful life of 5 years to 7 years.

Mr. Wesen asked if the MOA2 facility was any reason for the spending down from reserves. Mr. O'Brien stated that has been grant funded up to this point. Starting this summer, we will use some of the reserves for that project.

Mr. Sexton clarified with Mr. Flores that the match on the \$1,384,907 for the Nine (9) buses is about 29%. Mr. Flores said yes it is. And that is why with the new methodology we're going to budget 35% Local Match. He added that in the past we have not used our TDP as a tool to fund our reserves, but we should because that looks out 6 years and will help us better prepare for these replacement cycles.

Ms. Johnson asked for clarification about the 2020 request noted in the presentation. She asked if this is additional money needed after the budget was approved. Mr. Flores stated that this is not additional, this was just a restatement of the portion of the budget needed for this presentation. There was a deficit in the budget that this \$1.8 million dollars from the Reserves is fulfilling.

Mr. Dahlstedt asked Mr. Flores when the money will be put back into the Reserve account. Mr. Flores stated that within about 2 weeks after paying the invoices for the vehicles we will receive reimbursement from the Grant to replenish the Reserve account. Mr. Sexton asked what the total amount was being requested and Mr. Flores clarified that although our Local Match is only \$1.4 million, we are asking for

approval to transfer \$3,000,000 + \$1,384,987 from the Reserve account to make sure we have enough money to pay for the purchases, including the Grantors portion. Once we receive the Grant reimbursement, we'll replenish the \$3,000,000 back to the Reserve account. This is a "worst case scenario" request. If Gillig & Schetky give us \$4.8 million & \$838k worth of invoices at the same time we will have enough money on hand to pay the invoices without delay.

Mr. Schaner added that the Nine (9) Gillig buses will start being delivered between now and the middle of March. The Six (6) Paratransit buses are at Schetky's facility in S. Mount Vernon now. They should be on site at Skagit Transit by the middle of March as well.

Mr. Wesen moved to approve the Transfer and Borrowing from Reserves to pay for Vehicle Purchases. Mr. DeGloria seconded the motion. The motion passed unanimously.

IV Executive Session

Chair Dahlstedt announced that the Board would be adjourn for a 10 minute Executive Session to discuss potential land acquisition.

At 1:30 p.m. the Executive Session began.

Mr. Dahlstedt reconvened the meeting into open session at 1:47 p.m.

Mr. Dahlstedt stated they discussed the potential land acquisition, no actions were taken and no decisions were made.

V Community Advisory Committee Report

Mr. Windler stated that the CAC will have a guest speaker next month named Heidi Wells. She was the Transit Activist who was highly instrumental in the promotion of Youth and University passes down in the Seattle region. She'll give a short talk on the history of those projects, the benefits, and how the implementations have gone over time.

Separate from the CAC, Mr. Windler passed out an invitation to the Board members or any other community member they may know that is interested. Skagit Transit will host a tour where a small group of individuals will get to take Skagit Transit down to Everett Station, and transfer from there to Paine Field. This is to show how Public Transportation can provide connections to the Seattle Region and Paine Field. This may be of interest to many businesses, Chamber of Commerce, visitor's bureau, etc. It is on Thursday March 26th. A behind the scenes tour will be provided at Paine Field by a TSA agent. 11 people are allowed on this trip. On the way back there will be a stop at the Sno Isle Technical Center in Everett. Their Culinary Arts program is going to provide lunch. This is another highlight to how Public Transportation can get the public to educational opportunities.

VI Executive Directors Report

In the interest of time, Mr. O'Brien referred everyone to pages 10–12 of the Agenda Packet, which is the update to Phase 1 of the MOA2 project. These items are scheduled to take 6 months, starting in July and completed in January.

VII Information Items:

None.

VIII Unfinished Business:

None.

IX New Business:

Commissioner Dahlstedt stated he will sign all documents that have been approved at this Board meeting.

Commissioner Dahlstedt adjourned the meeting at 1:50 p.m.

Commissioner Ken Dahlstedt, Chair
Skagit Transit Board of Directors

Attest:

Tiffany Guwin,
Interim Clerk of Skagit Transit Board