

Rochester-Genesee Regional Transportation Authority
Minutes of
AUDIT COMMITTEE MEETING
February 2, 2012

Audit Committee Board of Commissioners:

Present:

Commissioners Jankowski (Chairman), Battaglia, Redmond

Absent: Commissioners Goldstein and Vitagliano

RGRTA Staff:

Robert Frye, CFO; Bill Carpenter, CEO; Hal Carter, General Counsel; Chris Dobson, Director of Finance; Mark Nasky, Accounting Manager; Sheila Popowych, Paralegal and Medicaid Compliance Officer

Other: Kristen Clark, Partner Bonadio & Co., LLP; Jon Miller, Engagement Lead (Principal) Bonadio & Co., LLP

Chairman Jankowski opened the meeting at 10:33am.

Overview of the agenda.

Mr. Frye

- Noted the four items on the meeting agenda and presenters.
 - FY 2011/12 Independent Audit Planning – Kristen Clark & Jon Miller
 - Medicaid Compliance Program Status Report – Sheila Popowych
 - Standard & Poor Credit Assessment – Robert Frye
 - Multi-Year Budget Projection Update – Robert Frye

FY 2011/12 Independent Audit Planning

Ms. Clark

- Overview
 - Scope of Services Provided
 - Bonadio Service Team
 - Auditors' responsibility
 - Materiality
 - Significant Audit Areas
 - Audit Committee Considerations
 - Reporting Timetable
 - GASB Update`
- Scope of Services Provided
 - Audit of the March 31, 2012 Financial Statements of RGRTA and related entities.
 - A separate audit is performed on all companies however a consolidated or combine opinion is issued.
 - Single Audit for the Authority in accordance with OMB Circular A-133

- Two reports: A separate report for Federal & NYS.
- Agreed-upon Procedures related to the RGRTA Employee Incentive Compensation Program.
- Audit of the retirement plan of Union employees of RTS (plan year end 10/31/11)
 - Other pension plan audits with earlier plan year ending are completed and have already been presented to this Committee.
- Certification of the National Transit Database Report (NTD)

Note: The first three bullets under scope are performed as part of the year-end audit.

Commissioner Battaglia

- Inquired as to whether or not there is a requirement that each subsidiary be audited separately.

Ms. Clark

- Responded that she did not believe so, but that it provides for a much more informed audit as the materiality level would be raised higher and that many of the entities adjustments under previous audits would be eliminated.

Mr. Frye

- Added that conducting the audit this way provides a higher level of financial transparency for the Authority than would an audit focused only on consolidated financial results. Audits for each subsidiary enable each member county and the commissioners that represent each member county to review and understand the financial operations of their respective public transit providers.

Commissioner Battaglia

- Clarified that he was not suggesting changing the way the audit is conducted and concurred with the comments made by Ms. Clark and Mr. Frye.

Ms. Clark

- Bonadio Services Team
 - Communicated that the same audit team as the prior year is returning. Kristen Clark, Engagement Partner; Jon Miller, Principal; Michelle Pyzik, Audit Senior; Mario P. Urso, Quality Assurance Partner
 - Also stressed that to the extent that questions and/or concerns arise that the Committee can contact any of the listed persons directly.
- Auditors Responsibility
 - Stated that they will issue an opinion as to whether the financial statements have been presented fairly in accordance with generally accepted accounting principles.
 - Not all transactions are audited but rather a sample based on pre-audit planning.
 - Internal control is considered (an opinion is not rendered) to ensure that adequate controls/financial reporting practices are in place that will result in fairly presented financial statements.

- Any matters that are deemed significant with respect to the financial statement audit will be communicated to the Audit Committee. The presence of Bonadio and audit planning discussion at today's meeting is part of the required communications. Noted that the opinion is addressed to the Board and not management this underscores Bonadio's recognized responsibilities to the Board.
- Perform audits in accordance with the yellow book and OMB circular A-133 because of the significant amount of federal and state funding received.
 - Reports on internal control over reporting and compliance
 - Report on internal control over compliance and provide an opinion on compliance
 - To distinguish between the two internal control systems;
 - The first internal control over financial reporting speaks to how do you safeguard your assets, how do you report, and how do you make sure that you're reporting things.
 - The second is the compliance with all the various federal and state regulations; making sure a system is in place to facilitate compliance.
- Materiality
 - Reminded the Committee that as discussed earlier materiality is determined individually for each entity.
 - The highest level of materiality is tolerable misstatement – this is how much the financial statements could be off in any of the areas that can be tolerated so that they are not going to be misleading to the reader. This value is determined by Bonadio and will vary by entity and area. For example the tolerable level may be higher in fixed assets than another asset category.
 - Stated that these items are typically communicated to management who may request that a correcting adjustment be made.
 - The next level down is test scope which is the amount the auditor will use to select individual items for testing. For instance these are the items below the tolerable misstatement value that are tested so that the accumulation of the differences doesn't reach a level larger than the tolerable misstatement.
 - Lastly there is adjustment scope which is amounts which differences noted during the audit accumulate to a level in which they are discussed with management and disclosed to the Audit Committee.
 - Materiality amounts for each subsidiary company are not shared with clients for obvious reasons, but if requested, Bonadio would disclose to the Committee.
- Significant Audit Areas
 - Stated that this audit has a lot of complicated transactions and activities, and that Bonadio has a great deal of experience with RGRTA and understands the systems, revenue streams, and various contracts. Below is a list of and discussion of those areas;
 - Other Postemployment Benefits (OPEB)
 - Under GAAP the actuarial valuation of this liability is required bi-annually. Because there have not been any material change in

OPEB benefits during fiscal 2011/12, the valuation report as of 3/31/2011 will be used as the basis for the financial statement OPEB accrual; Bonadio concurs with this approach.

- Fuel SWAP Agreement and GASB 53
 - There are no new accounting issues this year with respect to the fuel SWAP. An agreement will be in place at the end of the year so the complicated accounting will be reviewed.
- Capital Projects
 - The area of focus will be ensuring that costs incurred through year end are properly recorded and that those assets recorded as capital assets are indeed capital assets and will provide benefits into the future. In addition whether any capital assets that are in construction in progress are still good assets and do not require an impairment entry.
- Audit Committee Considerations
 - Key role in oversight of the process
 - Observations regarding internal control
 - Observations regarding management
 - High risk audit area identification
 - Other areas of concern or matter for discussion
 - Communicated that the Committee meets with Bonadio multiple times per year and to the extent that more frequent interaction is needed Bonadio would be glad to do so.
 - Each year one member of the Audit Committee is required to discuss one on one with Bonadio to discuss during pre-audit planning such areas as internal control, management, reporting, and any areas where high risk may exist.
- GASB Update
 - State that none of the following listed will impact the Authority's financial statements for year ended March 31, 2012
 - GASB 61 – “The Financial Reporting Entity” will be effective until 2014.
 - GASB 63 & 64 – “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” and “Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment to GASB No. 53” respectively will not be effective until FY 2013.
 - GASB Exposure Drafts – Pension Accounting Amendment to GASB No. 25 & 27
 - This change will be the biggest in terms of reporting and accounting for pension liabilities but again is still in exposure draft and will not be effective until 2015.
 - Stated that copies of these are available for the Committee to the extent requested. Further details will be discussed with the Committee as we advance closer to the implementation dates.

- Audit Timetable
 - Reviewed audit timetable that begins with preliminary fieldwork in December and wraps up with presentation of the financial statements to the full Board at the August meeting.
 - Pointed out that the timeline to complete the audit is tight as a result of NYS reporting deadline of June 30th.
 - With a March 31 year end management has to wrap up closing and provide Bonadio with the required fieldwork documents by April 23rd.
 - Stated that Bonadio would be meeting with the Audit Committee in mid-June to review the draft financial statements.

Mr. Frye

- Requested that the Chairman and Committee members consider moving the Audit Committee meeting that is currently scheduled for the same day as the full Board of Commissioners meeting (June 7th) to the third week of the month of June to coincide with the audit timeline discussed above. The revised date will allow for review of the draft financial statements.

Commissioner Jankowski

- Acknowledged and concurred with the recommended change in date. The meeting will now occur on June 21st.

Commissioner Jankowski

- Inquired to the Committee if there are any particular areas that they would like Bonadio to pay attention to.

Commissioner Redmond

- Stated that he covered all his concerns with Ms. Clark during their earlier meeting.

Commissioner Battaglia

- Inquired if there was any obligation for RGRTA to use SAP accounting because of all the state regulation.

Ms. Clark

- Advised that there was no obligation and that GAAP is what is followed.

Commissioner Jankowski

- Inquired as to how many more years until the full OPEB liability is recognized on the balance sheet?

Mr. Frye

- Responded that GASB allows recognition of the unfunded OPEB liability to be spread over a 30 year period. The accrual entry for OPEB as of 3/31/2012 will be the fourth year. In addition noted that when the first actuarial study was conducted four years ago the liability was \$101 million and since that point has come down as a result of changes in the cost of medical insurance and the available plans and contributions now in place for active employees. The most recent valuation was approximately \$67 million. Lastly it

was communicated by Mr. Frye that a full valuation is not required this year as there have not been material changes to affect the valuation (it is required every 24 months). Last year's valuation will be used as the basis for the liability/expense accrual.

Commissioner Jankowski

- Inquired as to what OPEB value is currently accrued on the balance sheet.

Mr. Dobson

- Responded that it is approximately \$22 million.

Mr. Frye

- Reminded the Committee that the Board established a OPEB reserve fund that has approximately \$8.6 million and that at such time that enabling NYS legislation exists an irrevocable OPEB trust could be created , similar to what is done for pension plans. .

Commissioner Redmond

- Stated that once the monies are moved into a trust fund it will no longer be available for operations if the Board so chooses.

Mr. Frye

- Confirmed Commissioner Redmond's statement and added that because of this irrevocable nature, such an action would be an important Board decision.

Medicaid Compliance Program Status Report

Mr. Frye

- Noted that the presentation today will be an update to the Medicaid Compliance Assessment report made to the Committee in November. Acknowledged that the final report (issued in December) has been distributed to each Committee member; and also in December the Board appointed Sheila Popowych as the Medicaid Compliance Officer.

Ms. Popowych

- Advised the Committee that Medicaid Compliance is an important initiative of Governor Andrew Cuomo and that he has empowered the Office of the Medicaid Inspector General to oversee compliance. In addition, agencies receiving greater than \$500,000 annually in Medicaid funding are subject to compliance audits.
- Based on the Bonadio report the Authority has completed steps towards compliance such as the appointment of a Compliance Officer and establishment of a Compliance committee. In addition standard documentation has been developed with respect to authorization and billing as well as training for regional administration and bus operators.
- Future actions include further training on the policies and procedures and a review of our on-going compliance program by the external auditors. Upon finalization by the compliance committee the plan will be reviewed by Mr. Carpenter for approval and then full Board approval. Lastly the program will be provided to NYS by Mr. Frye for certification. It is anticipated that this will occur in the first quarter of next fiscal year.

Commissioner Jankowski

- Inquired as to who is receiving the training.

Ms. Popowych

- Advised that it will be the regional office administrators who are doing the billing and the bus operators providing the service.

Commissioner Battaglia

- Asked for clarification that the Medicaid Compliance Officer reports to the full Board.

Mr. Carter

- Advised that the full Board has oversight over the Medicaid Compliance Officer as appointed by resolution at the December meeting.

Mr. Frye

- Added that during the year his staff will audit the compliance as part of the internal control program and that further reporting on progress will be forthcoming at future meetings

Standard & Poor Credit Assessment

Mr. Frye

- Purpose of the agenda item is to provide a brief update of the credit assessment process. Stated that the objective of the credit assessment was to help in planning for the issuance of long-term debt by the Authority at the transit centers project conclusion for the Authority's local share estimated at \$5.3 million.
- Advised that on November 11th Chris Dobson, Tom Huestis from Public Resources Advisory Group (PRAG), and himself (Bob Frye) presented to S&P to two analysts that specialize in the transit industry and prior to that provided numerous financial documents for review. The analysts were Mr. Joe Pezzementi and Mr. Adam Torres.
- The presentation was very comprehensive and completed and covered the Authority's management structure, financial policies, and current and past financial performance.
- On December 13th S&P issued a very straightforward letter stating that the Authority's credit assessment was medium grade. This general rating posed a problem for the Authority in that it did not provide the specificity required to provide the value initially sought. The medium category has six sub areas ranging from AA+ down to BBB-.
- As a result of the above a conference call was scheduled with S&P with the same participants as the original session where they indicated very forthright that we would be a solid A credit rating (for the assessment). This rating falls within the upper medium grade category. It should be noted that was provided on an informal basis.

- The communication indicated that our financial management practices and position are strong and any risk is simply associated because we are in the public transit business where federal and state subsidies are heavily relied upon.

Commissioner Battaglia

- Inquired as to whether we had any indication what it would take to be an A+.

Mr. Frye

- Advised that we did not have any clear indication but reiterated the previous statements that it is likely due to the nature of public transit, the underlying supporting revenues that being federal and state. In the federal area there is no long-term authorization (omnibus) and on the state level the allocation is provided year to year.

Commissioner Redmond

- Inquired as to whether we could look at our peer group in NYS and compare to them.

Mr. Frye

- Advised that they do not have credit rating because of no debt issued; previous inquiry has been made.

Mr. Carpenter

- Advised the Committee that he feel very strongly about the favorability of this rating. Based on the current environment where the federal government is on a 9th extension for federal transit spending that has a structural problem to overcome and NYS having to close multi-billion dollar funding gaps each of the past few years and S&P still have the ability to recommend to investors that this is someplace you should give money and be able to count on a 20-30 year return speaks to the strong financial position and the underlying philosophy or management approach by which we operate.

Commissioner Jankowski

- Requested a copy of the presentation made to S&P.

Mr. Frye

- Advised that it would be included in the packet with the meeting notes when completed.

Multi-Year Budget Projection Update

Mr. Frye

- Reviewed the background of the Multi-Year
 - Updated quarterly; consolidated projection that rolls up from the subsidiary level.
 - Covers 4 fiscal years FY 2011/12 – FY 2014/15
 - Projections are made based upon future known changes and estimated/assumed change to revenues and expenditures.

- Advised on the key assumptions; no change in the level of transit service, moderation of medical insurance rates, 2% wage growth, all fare structures to remain, ridership demand will remain flat, and route subsidy agreements will be retained and escalate 3% annually, and STOA will remain flat from 2012-13 level.
- In addition pointed out that the preliminary estimate of annual operating expenses for the Transit Center is \$1.6 million. This estimate is approximately two years old and will be updated in the near future. Also included are estimated incremental operating expenses for the RTS campus building addition inclusive of wellness center operation.

Commissioner Jankowski

- Inquired as to when an updated transit center operating cost will be available. Will it be provided next meeting?

Mr. Dobson

- Mr. Dobson advised that an internally revised estimate could be available as refinement is progressing working with Mr. Ballerstein, Director of Engineering however the more accurate estimate will be forthcoming once the operations and management consultant is on-board.

Mr. Carpenter

- Advised that design development is taking a little bit longer and that an update is more likely to be available at the April or May meeting after refinement with the operations team and architects.

Mr. Frye

- Continued with review of the financial results contained in the most recent update 12/31/11. Advised that revenues are essentially flat over the projection ranging from \$78.4 million to \$79.5 million. Expenses are growing from \$77.6 million to \$87.9 million which is moderated from the prior projection in the area of medical. Growth in employee compensation and in consumables such as diesel fuel drives the expense growth. Over the course of the Multi-Year the \$25.2 million in AUNA projected at the 3/31/12 can theoretically be applied to the shortfalls projected in each of the subsequent years with a balance at 3/31/15 of \$11.0 million.

Mr. Frye

- Advised the Committee that the variation from the last multi-year presentation made to the Board is a positive \$12.7 million swing and made up of two main factors that accounted for approximately 90% of the variance. The change in STOA represents \$6.5 million in additional aid and the moderation in the cost of medical insurance was \$4.8 million.

Commissioner Jankowski

- Commented that the projection yields quite an improvement and if the trends continue we wouldn't run out of fund balance until 2016-17.

Commissioner Battaglia

- Added that it is important that we not sit idle and accept the results but look to find ways to generate additional revenues and moderate expenses

Commissioner Jankowski

- Agreed and stated that is the challenge that management, the Committee, and the full Board embrace.

Commissioner Redmond

- Added that in addition to the funds theoretically used to close this gap there are other dedicated reserve funds that if the Board so chose could release for general operations.

Mr. Frye

- Concluded acknowledging all the Committee members comments and stated that the approach discussed by Commissioner Battaglia and Jankowski is management's focus. Once the projection is made work continues in figuring out how to improve it.

Commissioner Jankowski

- Asked that the multi-year presentation be made to the Board.

Mr. Frye

- Advised that the presentation to the Board at the March meeting on the Comprehensive Plan will contain this information.

Upon hearing no request for additional business the meeting was adjourned.

Chairman Jankowski adjourned the meeting at approximately 11:22am.

Attachments to these minutes include the PowerPoint presentation.



Rochester-Genesee Regional
Transportation Authority

Audit Committee Meeting February 2, 2012

Audit Committee Agenda

Thursday February 2, 2012 10:30-11:30AM

- FY 2011/2012 Independent Audit - Bondadio & Co.
 - Review audit scope, objectives, and schedule
- Medicaid Compliance Program
 - Status report on tasks/completion schedule- S. Popowych
- Multi-Year Budget Projection- Update
- Standard & Poor Credit Assessment
 - Report- Robert Frye



Rochester-Genesee Regional Transportation Authority

Audit Committee Planning Meeting
February 2, 2012

THE BONADIO GROUP
CPAs, Consultants & More



Agenda

- Scope of our services
- Client service team
- Auditors' responsibility
- Materiality
- Significant audit areas
- Audit Committee considerations
- Reporting Timetable
- GASB Update

Scope of Our Services

- Audit of the March 31, 2012 Financial Statements of Rochester-Genesee Regional Transportation Authority
- Perform a single audit for the Authority in accordance with OMB Circular A-133
- Audit of the Retirement Plan of Union employees of Regional Transit Service Inc. - October 31, 2011
- Agreed-upon procedures related to the RGRTA Employee Incentive Compensation Program
- Certification of National Transit Database (NTD) Report

Client Service Team

Kristen M. Clark	Engagement Partner	kclark@bonadio.com	(585) 249-2748
Jonathan B. Miller	Principal	jmiller@bonadio.com	(585) 249-2830
Michelle Pyzik	Audit Senior	mpyzik@bonadio.com	(585) 249-2833
Mario P. Urso	Quality Assurance Partner	URSO@bonadio.com	(585) 249-2750

Auditors' Responsibility

- Form an opinion as to whether the financial statements have been presented fairly in accordance with GAAP.
- Consider internal control over financial reporting as a basis for designing audit procedures, but not for the purpose of expressing an opinion on internal control.
- Communicate significant matters related to the financial statement audit to the Audit Committee.
- Perform the audits in accordance with Government Auditing Standards (Yellow Book) and OMB Circular A-133 (Single Audit).
 - Report on internal control over financial reporting and on compliance.
 - Report on internal control over compliance and provide an opinion on compliance.

Materiality

- Tolerable misstatement
 - The maximum error in a population that the auditor is willing to accept.
- Test scope
 - The amount that the auditor will use to select individual items for testing.
- Adjustment scope
 - Amount above which differences noted during the audit will be accumulated and discussed with management. The aggregate effect of audit adjustments will be disclosed to the Audit Committee.

Significant Areas

Based on our familiarity with your operations and management, we have identified the following areas that will have a potential impact regarding your financial reporting in current year:

- Other Postemployment Benefits
- Fuel Swap Agreement and GASB 53
- Capital Improvement Projects/Debt
 - College Town Transit Station
 - RTS Transit Center
 - Campus Facility and Site improvements
 - Information Technology

Audit Committee Considerations

- Key role in oversight of process
- Observations regarding internal control
- Observations regarding management
- High risk audit areas identification
- Other areas of concern
- Other matters for discussion

GASB Update

- GASB Statement No. 61, “The Financial Reporting Entity”
- GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”
- GASB Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions- an amendment of GASB Statement No. 53”
- GASB Exposure Drafts- Pension Accounting Amendments to GASB Statement No. 25 and 27

Timetable



Preliminary Financial Statement Fieldwork	December 5 - 9, 2011
Pension Audit Fieldwork	February 6, 2012
Year-end Financial Statement Fieldwork/weekly status meetings with RGRTA personnel	April 23 – June 1, 2012
Preliminary Meeting with Management	Early June 2012
Audit Committee Meeting – Review Draft Financial Statements	Mid June 2012
Issuance of Final Audited Financial Statements	On or before June 20, 2012
Board of Commissioners Meeting – Presentation of FS	August 2012
NTD Certification	October 2012
Issuance of Final Audited Pension Financial Statements	March 2012

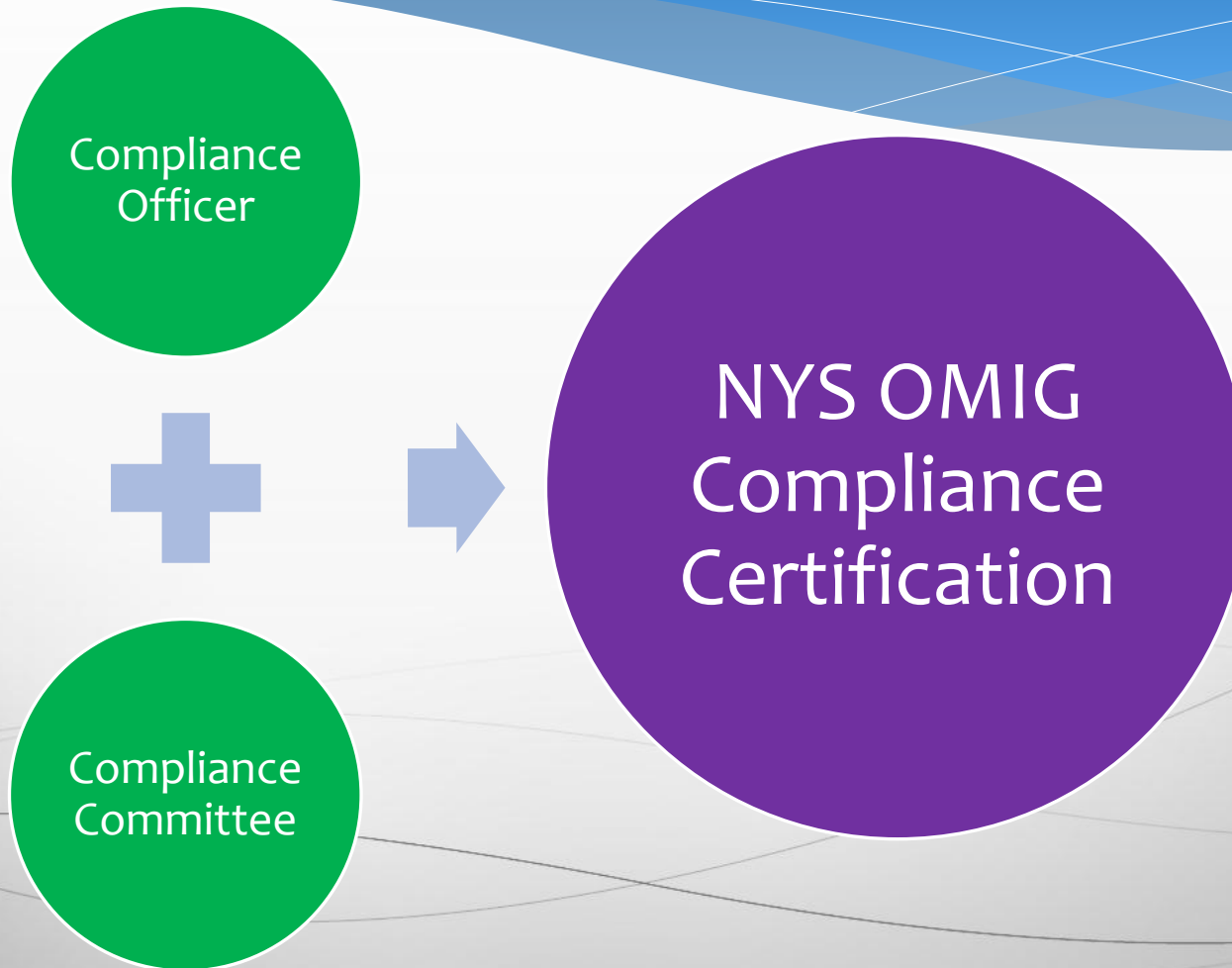
MEDICAID COMPLIANCE STATUS

Sheila L. Popowych
Medicaid Compliance Officer
February 2, 2012

BACKGROUND

- Cuomo Initiative to ...”enhance the integrity of the NYS Medicaid program by preventing and detecting fraudulent, abusive and wasteful practices within the program and recovering improperly expended Medicaid funds....”
- Empowerment of OMIG (Office of Medicaid Inspector General)

OMIG COMPLIANCE REQUIREMENTS



COMPLETED STEPS TOWARD COMPLIANCE

Personnel

- Compliance Officer Appointed 12/2011
- Compliance Committee Named 1/2012

Process Standardization

- Universal Medicaid Transportation Form Developed 12/2011
- Training of Regional Transportation Providers (Administrative & Operators) 12/2011-2/2012
- Standardization of Authorization Processes 1/2012
- Standardization of Billing Procedures 1/2012

County & Agency Meetings

- Compliance Officer, Regional Manager, Business Development, as needed
- On-going as requested by Agency - Wyoming County partnership established; Genesee County in process ; no other requests for process clarification or discussion to date

OUTSTANDING STEPS TOWARD COMPLIANCE



In Process

To Be Scheduled

Final Step

*Once initially certified, Medicaid compliance to be certified annually at the end of each calendar year

Standard & Poor Credit Rating Assessment

Report

Background

- Credit rating assessment needed to assist planning for long term financing of Authority's local share of the Transit Center Project.
 - Estimated \$5.3 million long term bonds to be issued at conclusion of construction period (January 2014).
- Authority financial documents provided to Standard & Poor's (S&P) for review prior to presentation.
- 11/11/2011 – Presentation to S&P
- 12/13/11 – S&P formal response indicating “medium” grade credit assessment for the Authority
- 12/22/11 – Conference call with S&P held to gather further information (informally) and understanding of S&P's assessment.

Who are the Major National Credit Rating Agencies?

Moody's	S&P	Fitch	
Aaa	AAA	AAA	<u>Prime</u> An obligor has an <i>extremely strong</i> capacity to meet its financial commitments
Aa1	AA+	AA+	<u>High Grade</u> An obligor has <i>very strong</i> capacity to meet its financial commitments. It differs from the highest rated obligors only in small degree
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	<u>Upper Medium Grade</u> An obligor has <i>strong</i> capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	<u>Lower Medium Grade</u> An obligor has <i>adequate</i> capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	<u>Non-Investment Grade</u> An obligor is <i>less vulnerable</i> in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.
Ba2	BB	BB	
Ba3	BB-	BB-	

→ **RGRTA**

Multi-year Budget Projection

Overview of 12/31/2011 Revision

Multi-year Budget Projection Background

- * Consolidated projection includes all subsidiary companies.
- * Covers (4) fiscal years: FY 2011/12 thru FY 2014/15
 - * FY 2011/12 - based upon the current fiscal year ending 3/31/2012.
 - * FY 2012/13 thru FY 2014/15 – based upon projections using both known future changes and estimated/assumed changes to revenues and expenditures.

Multi-Year Budget Projection

revised 12/31/2011

- Expenses: Key Factors and Assumptions
- Transit Service Levels – Assumed flat for all subsidiaries
 - No growth in manpower, nor expansion of fleet.
- Medical insurance - moderation of annual rate increases
 - 10% annual rate increase annually

Multi-Year Budget Projection

revised 1-25-2012

- Wages and Benefits
 - Union and Non-Union – 2.0% wage increases annually
FY2013/14 thru FY 2015/16
 - Benefit Assumptions
 - Medical Insurance – No change in employee cost sharing

Multi-Year Budget Projection

revised 1-25-2012

- Non Personnel
- Inflation range of 3-4% annually for various supplies, services, etc.
- Fuel & Lubricants
 - Futures market price indications (plus 10%) used to project fuel cost/gallon
- Downtown Transit Center
 - Annual operating expense estimated: \$1,600,000. (Now under review)
 - Construction complete 12/2013; grand opening April 2014.
- RTS Campus Improvements (Phase 1)
 - Incremental annual building operating expenses estimated: \$235,000

Multi-Year Budget Projection

revised 1-25-2012

Revenues: Key Factors and Assumptions

- Locally Generated Revenues
 - Fare Structures – no change for all subsidiaries.
 - Ridership demand flat
 - Route Subsidies – all retained with 3% avg. annual increase.

Multi-Year Budget Projection

revised 1-25-2012

Government Subsidies

- STOA: Gov. Cuomo's \$32.7 M is approved and remains stable for next three years.
- Member Counties: No Change \$3.7 M annually
- Federal Aid :
 - Formula Grant (5307) - No change. Congress still has not approved reauthorization bill for transit aid.
 - Rural (5311) – Assumed flat @ \$485,000 annually

Multi-Year Budget Projection

revised 1-25-2012

Mortgage Recording Tax – modest annual growth

Year	MRT	Change
2011/12	\$6.5	
2012/13	\$6.85	5.3%
2013/14	\$7.2	5.1%
2014/15	\$7.4	2.7%

Multi-Year Budget Projection – As of 12/31/11

Consolidated Multi-Year Budget Projection 2011-12 - 2014-15				
(\$ Millions)	Projection 2011-12	Projection 2012-13	Projection 2013-14	Projection 2014-15
REVENUES				
Locally Generated Revenues	\$ 30.3	\$ 28.7	\$ 29.5	\$ 30.0
Governmental Subsidies	\$ 41.5	\$ 43.2	\$ 42.2	\$ 42.2
Mortgage Recording Tax	\$ 6.6	\$ 6.9	\$ 7.1	\$ 7.3
Total Revenue	\$ 78.4	\$ 78.8	\$ 78.7	\$ 79.5
EXPENSES				
Personnel				
Employee Wages	\$ 34.8	\$ 35.8	\$ 36.8	\$ 37.5
Medical Insurance	\$ 10.1	\$ 10.5	\$ 11.7	\$ 12.9
Other Fringe Benefits	\$ 11.2	\$ 11.6	\$ 12.0	\$ 12.3
Total Personnel	\$ 56.1	\$ 58.0	\$ 60.5	\$ 62.7
Non-Personnel				
Fuel & Lubricants	\$ 7.6	\$ 7.6	\$ 8.1	\$ 8.4
Other Non-Personnel	\$ 13.9	\$ 14.1	\$ 14.6	\$ 15.1
Construction Projects	\$ -	\$ -	\$ 0.5	\$ 1.7
Total Non-Personnel	\$ 21.5	\$ 21.7	\$ 23.2	\$ 25.2
Total Expenses	\$ 77.6	\$ 79.7	\$ 83.7	\$ 87.9
Net Income (Deficit) From Operations & Subsidies	\$ 0.8	\$ (0.9)	\$ (4.9)	\$ (8.4)
Estimated Net Income Available for Carryover	\$ 0.8	\$ (0.9)	\$ (4.9)	\$ (8.4)
Estimated Available Unrestricted Net Assets BOY	\$ 24.5	\$ 25.2	\$ 24.3	\$ 19.4
Estimated Available Unrestricted Net Assets EOY	\$ 25.2	\$ 24.3	\$ 19.4	\$ 11.0

Variance Analysis

Multi-year Projections

9/30/2011 vs. 12/31/2011

<u>Revision Date</u>	<u>9/30/2011</u>	<u>12/31/2011</u>	<u>Change</u>
AUNA Balance @ EOY (\$M)	-\$1.7	\$11.0	\$12.7

Variance Analysis

Multi-year Projections

9/30/2011 vs. 12/31/2011

- * Key Change Factors (\$M)

- * Increased State Aid (STOA) \$6.5
- * Medical Insurance Cost Moderation \$4.8

*Total \$11.3

- * STOA and Medical Insurance changes account for approx. 90% of the total change in the Multi-year projection from 9/30/2011 to 12/31/2011.