

AUDIT COMMITTEE
MINUTES
January 5, 2017
10:30 AM
RGRTA Board Room
1372 East Main Street, Rochester NY

Committee

Members Present: Commissioner Michael Jankowski, Committee Chairman
Commissioner Paul Battaglia
Commissioner Rich Kosmerl, By Phone

Members Excused: Commissioner Milo Turner

Others Present: Board Chairman Geoff Astles
Commissioner Tracie Green
Commissioner Kelli O'Connor
Michelle Shiefer, Bonadio & Co., LLP
Gregg Evans, Bonadio & Co., LLP
Bill Carpenter, CEO
Scott Adair, CFO
Christopher Dobson, VP of Finance
Mike Burns, Director of Accounting & Payroll
Sharon Muir-Eddy, Manager of Budget Analysis

The meeting was called to Order by Commissioner Jankowski at 10:35am.

Scott Adair, CFO, reviewed the agenda with the committee:

- The Bonadio Group
 - Fiscal 2017 Pre-Audit Presentation
- Fiscal 2016-17 Financial Update
- Fiscal 2017-18 Budget Update

Scott Adair, CFO, invited the members of the Bonadio & Co., LLP Team to the table to walk us through their presentation.

Gregg Evans went through the Pre-Audit Presentation with the Committee.

- *Scott Adair, Chief Financial Officer, asked Bonadio if they have selected staff from Heveron at this point in time and regarding levels that they're at. Michelle Schiefer of Bonadio responded we met with Heveron before Christmas, and had a discussion of who will be here. At this point they didn't guarantee us who we're going to have, but their plan is that we will have two staff that have several years of experience.*

- *Commissioner Battaglia asked if our engagement is with Bonadio and if Bonadio then has an engagement with Heveron. Michelle Schiefer of Bonadio responded yes to both of those questions.*
- *Commissioner Kosmerl asked if there is anything that we have new, either in IT systems, or software, or policies, or procedures, that we've been obligated to report to Bonadio. Or anything new that we've asked them to focus on. Scott Adair, Chief Financial Officer, responded we implemented a new software system for financial reporting; it has been two years now in the making. That was probably the biggest thing that we went through, as far as a hurdle goes, and they tested the controls on that system during that opening year, and the transition between account balances, and subsequently have included the IT programs that the Authority uses or relies upon for various financial categories.*

At 10:48AM Commissioner Jankowski stated that the meeting would now go into executive session.

The meeting went back into open session at 10:52AM, at which time Scott Adair, Chief Financial Officer went on to brief the Committee on the financials for this fiscal year 2016-17.

- *Commissioner Jankowski asked about the equities and if that means publicly traded with all the regulations. And disclosures that go along with that. Scott Adair, Chief Financial Officer, stated yes.*
- *Commissioner Battaglia asked if we have ever considered and looked into what it would take to move away from the defined benefit, more into the defined contribution market, where it seems to me where most of the world resides right now. Scott Adair, Chief Financial Officer, responded Bill Carpenter, CEO challenged us with that about two years ago, from a management standpoint. When the State Retirement System went to Tier Six that was the impetus to say are we doing the right things for our employees from a pension standpoint. We did take a look at that, and concluded at the end of the day that because of the status of where our pension plans were from a funding perspective, that the right answer was, and the cost effective answer was the defined benefit plan at this point.*
- *Commissioner Kosmerl asked about the GASB 75 and if we expect anything really to come out of that in 2019, in terms of affecting the balance sheet, or maybe income statement. Scott Adair, Chief Financial Officer, responded at this point in time, we're probably looking at some where's in the mid-40s to low 50s as far as the overall OPEB liability that the Authority has. We've presently accrued for in the 35 million dollar range on our financial statements. We would expect another 15 million dollar increase as far as that liability goes, to be recognized over the next two years.*
- *Commissioner Battaglia asked about the Mortgage recording tax and how big that number is for us. Scott Adair, Chief Financial Officer, responded that it is in the neighborhood of \$500,000.*

- *Commissioner Jankowski asked if there are other agencies dealing with parts issues as well and have we tried coming up with a different solution or any new ideas. Bill Carpenter, CEO, responded that one of the initiatives that we've tasked Rusty Korth, VP of Maintenance with has been to put together a peer group of other upstate agencies. They talk on a monthly basis and collaborate on different solutions. So we are working on that.*

Scott Adair, Chief Financial Officer stated that they are in the process of developing the 2017-18 budget.

There being no other matters for the Committee, Commissioner Jankowski adjourned the meeting at 11:37am.