

AUDIT COMMITTEE
MINUTES
January 7, 2016
10:30 AM
RGRTA Board Room
1372 East Main Street, Rochester NY

Committee

Members Present: Commissioner Michael Jankowski, Committee Chairman
Commissioner Jim Redmond, Board Chairman
Commissioner Paul Battaglia

Others Present: Commissioner Geoff Astles
Commissioner Tracie Green
Michelle Pyzik, Bonadio
Gregg Evans, Bonadio
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 10:36am.

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

- Financial Projection Update
- SWAP Update
- Review of Pension Plan Resolution
- External Auditor Preliminary Conference
 - Bonadio Presentation

Scott Adair, CFO, reviewed the current months financial projections with the committee and discussed the upcoming 2016-2017 budget.

- *Commissioner Jankowski asked about Mortgage tax. Scott Adair, CFO, those numbers are trending much greater than what we had anticipated as far as the budget goes. We haven't recognized any of those positive results yet because we want to get as many months of the year under our belt as we can, but certainly watching that and think that could be a significant change to the positive by the end of this fiscal year. Commissioner Jankowski stated that he is seeing the numbers up significantly in Wayne County and was wondering if that was translated to other counties as well. Scott Adair, CFO, responded that it is certainly from our perspective, and will call it region wide at this point.*

- *Commissioner Astles asked how Mortgage tax is paid to the Authority. Scott Adair, CFO, responded that it is monthly; every county issues a check to us on a monthly basis.*
- *Chairman Redmond asked if mortgage recording tax could help reduce the amount of money that would need to be withdrawn from OPEB. Scott Adair, CFO, responded that could be a possibility and that is a discussion that we would have closer to year end.*
- *Commissioner Jankowski asked what are we moving to with the parts provider and are we bringing in-house or are we going to another contractor. Scott Adair, CFO, responded that we are going back to another contractor, very similar contract to what we had before. This time we have a lot more experience in-house as to the management of those contracts so we'll continue to work with our current service provider which is Mancon.*
- *Chairman Redmond asked if we have a reserve set aside for litigations. Scott Adair, CFO, responded that it is all taken into account from a financial statement perspective.*
- *Commissioner Jankowski asked what the timeline is for the final budget numbers for the comprehensive plan. Scott Adair, CFO, responded that those numbers will probably be available sometime in the early part of February.*
- *Chairman Redmond asked if we have any large projects like the rebranding planned for this budget. Scott Adair, CFO, responded that he does not think there's any one single large initiative. Chairman Redmond asked about trying to cover the 5 million dollars where is that coming from. Scott Adair responded that is some of the things we're working on and I think Chris Dobson's' fuel SWAP update will provide a significant portion of that savings.*
- *Commissioner Astles asked about the \$2.5 million that goes to the retiree health insurance, is that reflected in the fringe benefits. Scott Adair, CFO, responded that yes it is reflected in the fringe benefit number. You will also notice at the bottom of this slide we have the use of our OPEB reserve was budgeted at that dollar amount and that's also included in the locally generated revenues.*
- *Commissioner Jankowski asked how much longer do we have before we need to have the entire liability for the lifetime medical insurance fully recognized. Mike Burns, Director of Accounting & Payroll, responded two years and then it will be fully recognized on the statements. Commissioner Jankowski also asked when does that number get looked at again in the actuarial. Mike Burns responded that it's every other year, so we looked at it at 3/31/15; we'll look at it again in the months leading up to 3/31/17.*
- *Chairman Redmond asked what the OPEB liability is right now. Mike Burns, Director of Accounting & Payroll, responded on the books, just north of \$39 million.*

Chris Dobson, VP of Finance, reviewed the Fuel SWAP activities for this fiscal year and next.

- *Chairman Redmond stated that if we were to do the 25% again, we would renew it at something closer to the \$1.36. Chris Dobson, VP of Finance, responded the quotes that we've been offered for April '17 through March of '18 are around the \$1.50 range right now with some expectation that the forward curve will increase. Chairman Redmond also asked how many gallons of fuel we use each year. Chris Dobson responded that consolidated Authority wide, all companies in and around 2 million gallons.*

Scott Adair, CFO, gave an overview on the pension plan documents and the resolution that will be voted on by the entire Board today.

- *Chairman Redmond asked if the bargaining unit did not want to be part of the Teamsters plan. Scott Adair, CFO, responded that the Teamsters didn't have a plan, so they wanted to remain in the pension plan that they were in because it was a new group. Chairman Redmond also asked who is on the pension committee. Scott Adair responded that it's a variety, there are two Union pension Committees, there are three Union members on the pension committee and then there are three management members. Myself, Chris Dobson and Amy Gould on one of them; Myself, Mike Burns and Amy Gould are on the other, and the Union President and one of their Vice Presidents and I can't remember who the third person is off the top of my head. Chris Dobson, VP of Finance, responded that one of the representatives from the Union is Bob Ross a mechanic. Scott Adair stated that on the non-union side is mostly made up of administration or management to administer those plans.*
- *Commissioner Jankowski asked if all those plans are fully funded. Scott Adair, CFO, responded that they are not all fully funded. They are all in very good financial shape from the standpoint of not having a significant gap between being full funded and not full funded. I would say I think the lowest one is somewhere in the 80% range as far as fully funded. Commissioner Jankowski also asked how our pensions roughly match up against the state pension plans. Scott Adair, CFO, responded if you compare some of the non-union plans to the state pension system and that was one of the driving factors behind the last changes that we made in March of last year, was to mirror where the state pension system was at a Tier 6. They are similar; they may not be exactly the same benefit as the state pension system on the non-union side of it. The Union side of it is a completely negotiated process between management and the Union.*
- *Chairman Redmond asked if the multipliers were similar. Scott Adair, CFO, responded it is a very different calculation as far as that system goes, from what the Union system has and what the state retirement system has.*

Mike Burns, Director of Accounting & Payroll introduced Gregg Evans and Michelle Pyzik of the Bonadio Group.

Gregg Evans and Michelle Pyzik reviewed the Audit process with the committee.

- *Chairman Redmond asked if they will also look at things such as cybersecurity. Gregg Evans of Bonadio, responded that yes they will basically look at the whole*

structure of it from a high level. Chairman Redmond also asked if this is the meeting where we want to commission Bonadio looking at the Variable Pay Plan. Scott Adair, CFO, responded yes that is in their scope of services and that will be part of this year's engagement.

Chairman Redmond made a motion to go into Executive Session, with a second from Commissioners Jankowski and Battaglia.

The Committee came out of Executive Session on a motion from Commissioner Battaglia, with a second from Chairman Redmond. Commissioner Jankowski noted that no votes were taken in Executive Session.

There being no other matters for the Committee, Commissioner Jankowski adjourned the meeting at 11:33am.