



Birmingham-Jefferson County Transit Authority
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Report to the Board Finance Committee

Wednesday, January 21, 2009

Opening: The meeting was called to order by the Committee Chairman, Walter Jones, at 11:35 a.m. in the Executive Briefing Room, located at Central Station, 1735 Morris Avenue, Birmingham, Alabama 35203.

Members Present: Walter Jones and Chris Lewis

Members Absent: Guin Robinson

Others Present: Brian Hamilton, Johnnye Lassiter, William Copling, Richard Nardecchia, Jacquese Gary, Joi Scott, Jesse Lewis, and David Russell

Adoption of the Agenda: The agenda was adopted by general consent.

Items for Information and/or Discussion

Financial Report

Richard Nardecchia, Chief Financial Officer, reported that as of the December 31, 2008 Balance Sheet, assets were \$28,716,422.19 while total liabilities were \$9,570,906.90. The Income Statement for the month ending December 31, 2008, details year to date revenues of \$7,441,808.77 and expenses of \$7,048,982.00 resulting in a difference of \$392,826.77. The total cash and cash equivalents as of December 31, 2008 was \$3,869,851.45 of which \$3,585,004.92 was the balance in our operating and money market accounts. Total debt owed to Compass Bank as of December 31, 2008 was \$975,464.75. Total overall variance with the budget is a positive \$1,088,852.84.

Discussion: Mr. Jones stated that Chris Lewis had questioned in the Human Relations Committee meeting the totals listed on the Budget Variance report for Brighton, Midfield, and Lipscomb. Mr. Nardecchia responded that those three municipalities had not paid anything for FY 2008. It is a receivable based on the accounting accrual system. The totals have to be written off from last fiscal year.

Mr. Copling stated that he would like instruction from the Board on how to move forward with this situation with Brighton, Midfield, and Lipscomb. Mr. Jones responded that, in his opinion, the Authority should forward a letter to each of the respective Mayors and

City Councilors. The letter should state that because funds were not received for FY 2008 or FY 2009, transit services will be suspended on a particular date. In addition, it should state that the Authority understands the shortfalls associated with each municipality; however, due to the economy, everyone is faced with the same or similar shortfalls. He stated that this recommendation should be made to the full Board.

Mr. Hamilton stated that he feels that prior to suspending services, communications with these member cities should be escalated and have Board representation. He further stated that these areas have many people who depend on public transportation as their sole source of transportation.

Mr. Lewis, agreeing with Mr. Jones, stated that it has been articulated by Mr. Copling that meetings have been held and a Board member was present. Mr. Lewis stated that it will take drastic measures to receive payment. As an example, he stated that the City of Midfield's library did not receive the money they requested until it was publicly stated that some extreme action would be taken. He further stated that history has proven with these municipalities that without a drastic measure, payment will not be received. It is documented that the Authority has made a good faith effort to work with the member cities. He is of the opinion that notification should be sent stating that services would be suspended after a particular date.

Joi Scott, Legal Counsel, stated that procedurally, when a route is terminated, it will cause a route change and would have to go before the City of Birmingham and Jefferson County and public hearings would have to be held. She suggested that a letter be sent to Brighton, Midfield, Lipscomb, and all Funding Partners advising them that the process of terminating services in those three areas would commence.

Ms. Lassiter stated that terminating services in these areas would not be a change in route. The buses going to those areas would still go their same route; however, it would be express through those three municipalities. She further stated that public hearings definitely should be held to inform the public on what is taking place.

Dr. Jesse Lewis, Marketing Consultant, stated that the Authority should go through the process because other municipalities (City of Birmingham, Hoover, etc.) cannot be asked to cover these funds.

Mr. Lewis made a motion to begin the process of notifying Brighton, Midfield, and Lipscomb that public hearing will be held and upon non-receipt of funds service will be terminated. It was seconded by Mr. Jones and forwarded to the full Board for its consideration.

Ms. Lassiter questioned if all notices that have gone to Brighton, Midfield, and Lipscomb are documented. Mr. Copling stated that he had copies of the letters that were sent out. Ms. Lassiter stated that she would speak with the Mayors of Lipscomb and Brighton. Mr. Jones agreed that it would be good for Ms. Lassiter to speak with those municipalities, using her leverage in those areas.

Requests by Board Chairman

- **Banking Relationship and Performance**
No one was present to make a presentation.
- **Pension Fund Performance**
No one was present to make a presentation.
- **Alabama Clean Air Partners Partnership**
No one was present to make a presentation.

MPO Update

No one was present to make a presentation.

Resolutions for Consideration and Recommendation

- A. Resolution No. 2009-04** – Authorization to Approve the Labor Agreement Between BJCTA and the Amalgamated Transit Union Local #725 for the Period October 1, 2008 through September 30, 2011

Discussion: Ms. Scott stated that currently the old contract has been extended until March and arbitration has been ordered. A date has not been set at this time. They will discuss the issues within the contract and a resolution will come from that meeting.

Mr. Lewis stated that the Board requested an audit in November and it has not been received. Mr. Hamilton stated that because the pension committee is a separate legal entity, an audit can only be requested. Ms. Scott stated that Ken Simon, Legal Counsel, sent a letter requesting an audit on behalf of the Board. Mr. Hamilton questioned whether the arbitration is binding. Ms. Scott stated that the arbitration is binding; however, she is of the opinion that the arbitrator will be here to assist in pushing for a resolution. Mr. Hamilton suggested that the proper documentation is reviewed to inquire about adding a Board member to the Pension Committee. He stated that the Board should begin looking at the exposure to the Authority if arbitration occurs.

Mr. Lewis again stated that an audit was requested and it has not occurred. Information has been pieced together and provided to the Authority. One allegation made was that \$10,000,000 was taken from the pension and utilized for operations. Additionally, from 2001 to present, there has been an average of \$1,700,000 in losses to the pension fund. It is alleged that the information was brought back to the Board on numerous occasions and the Board decided not to take action. He stated that the company that has managed the funds is still managing the funds now. Mr. Lewis stated that to date, \$22,000,000 is gone and it is a responsibility of the Board to ensure that any new monies placed in the

Pension Fund are managed properly. Mr. Hamilton questioned whether Mr. Lewis was stating that until the Board can assess where the pension fund is currently, the Board is only going to maintain the status quo of the old contract. Mr. Lewis stated that the Board should vote on what the expectations are of the audit and what the Board members need to move from the current situation forward. Mr. Lewis made a motion to send the Resolution No. 2009-04 to the full Board to discuss next steps needed to move it forward. It was seconded by Mr. Jones and forwarded to the full Board for its consideration.

Ms. Lassiter questioned why arbitration has been requested although the contract has been extended through March. Ms. Scott replied that the arbitration was requested prior to the contract extension. She stated that the Union employees must be governed by an agreement; therefore, the contract was extended. According to the current contract, the Union has a right to call for arbitration because a new contract is not in place..

Mr. Lewis stated the Board is being pushed to make a decision. In addition, he stated that if the Board makes a request, no one is in a position to question the request. The Board just has questions that have not been answered.

Mr. Hamilton questioned if the Authority's remedies are changed, modified, or enhanced by the results of the audit. Ms. Scott stated that it is possible that it may influence the arbitrator one way or the other. Mr. Hamilton stated that although Ms. Scott's response makes sense, the Authority has no more money to place into the Pension, and the Authority will not be asked to put in less than what they are currently contributing. He stated that the Board needs to verify whether or not the Authority has the most efficient Pension for the current resources.

Mr. Hamilton questioned the process by which the Pension Committee evaluates its consultants and/or looks for new consultants. Mr. Copling responded that it requires a majority vote of the committee and the committee consults with Legal Counsel for the best advice. Mr. Hamilton also questioned if there are provisions in the contract to terminate relationships based on performance. Mr. Copling stated that a relationship can be terminated with a majority vote.

Mr. Lewis asked that Legal Counsel be present at all Pension meetings. Mr. Hamilton stated that he does not think that the RFP that was submitted for legal counsel had provisions for consultation with the Pension Committee. He requested that the Board be mindful of requesting consultants to do more than what is outlined in their contract. Mr. Lewis stated that BJCTA has been the only entity throughout the Union negotiation process without legal representation. Mr. Lewis stated that if the current legal services contract does not include representing the Authority at the Pension meetings, then maybe it should be added as an addendum. Mr. Hamilton stated that he is in agreement with

everything that has been said; however, he is of the opinion that when asking someone to do more, they should be compensated.

Mr. Jones and Mr. Lewis both stated that the reason the Authority is in this situation currently is because the Authority lacked legal representation in the meetings. Mr. Hamilton challenged the statement saying that the reason the Authority is in the current situation is because the Pension Committee came to an agreement with staff, which the Board opposed, stating that more information was needed before an agreement could be reached.

Dr. Lewis stated that the Board should review the scope of work on the Legal Services Contract. He further stated that dealing with the Union may not be a specialty of legal counsel and another firm may need to be chosen.

Ms. Scott stated that, for clarity, Legal Counsel does currently attend the Pension Committee meetings.

B. Resolution No. 2009-05 – Authorization to Approve a Cost of Living Increase for Administrative Employees was tabled.

C. Resolution No. 2009-09 – Authorization to Execute a Contract with C & S Cleaning Service, LLC to Provide Interior Cleaning Services for BJCTA Buses was forwarded to the full Board for its consideration.

Old Business – None

New Business – Mr. Lewis stated that every time the Authority goes to the American Public Transportation Association's Legislative Conference in Washington D.C., they only meet with staff representatives of the legislators for ten (10) minutes. He further stated that since the Authority is already hosting governmental events in Birmingham with the same focus, with a more intimate setting with the legislators, going to Washington, D.C. will have minimal benefit to the Authority. He asked that the Finance Committee recommend that travel to the Legislative Conference is suspended for this year.

Mr. Jones asked if the \$1,700,000 from the City of Birmingham for Paratransit vehicles had been voted on. Mr. Copling stated that notification of approval of the funds had been received by the Authority. The funds will be utilized to purchase thirty Paratransit vehicles. Dr. Lewis stated that the contract has not been received or read by the Authority at this time. He further stated that at this time, it is not clear that the \$1,700,000 is not a portion of the \$9,000,000 already allocated to the Authority.

Adjournment – The meeting was adjourned.

Minutes submitted by: Jacquese A. Gary, Executive Administrative Assistant

Date:

Approved by:

Walter Jones, Committee Chairman