

**CONNECT TRANSIT  
BOARD OF TRUSTEES  
MINUTES OF REGULAR MEETING – OCTOBER 23, 2018**

The regular meeting of the Board of Trustees of Connect Transit was held at the Connect Transit Board Room #135, 351 Wylie Drive, Normal, Illinois 61761 on October 23, 2018 at 4:30 p.m.

TRUSTEES PRESENT:                   Chairman Mike McCurdy  
  Vice Chairman Ryan Whitehouse  
  Trustee John Bowman, Secretary  
  Trustee Julie Hile

TRUSTEES ABSENT:                   Trustee Judy Buchanan  
  Trustee Monica Bullington

CITY MANAGERS:                    Bloomington City Manager Tim Gleason – (Absent)  
  Town of Normal Manager Pam Reece

STAFF PRESENT:                    General Manager Isaac Thorne

Chairman Mike McCurdy called the meeting to order at 4:50 p.m. Roll call was taken.

**PUBLIC COMMENTS**

There were no public comments.

**CONSENT AGENDA**

1. Approval of Minutes of Regular Meeting of September 25, 2018 as rescheduled by the Board of Trustees to be held on October 2, 2018
2. Disbursements for the Month of September 2018
3. Financial Report for September 2018
4. Capital and Self Insurance Reserve Fund Balances for Month of September 2018
5. Monthly Statistical Report for month September 2018

Chairman McCurdy called for a *Motion to Approve the Consent Agenda*. Trustee John Bowman moved to approve the *Consent Agenda*, seconded by Trustee Julie Hile.

**DISCUSSION**

Trustee John Bowman posed a question, related to the percentage amount for due Subscriptions fees. General Manager Thorne answered that this reporting is a timing issue and that Subscription fees come up the first of the fiscal year and Connect should not go over that line item.

Chairman McCurdy gave the floor to the General Manager and asked him to speak about Ridership.

General Manager Thorne stated that September ridership was up 5.7% and stated that ten (10) of the fifteen (15) routes had an increase of trips and reported that the year-to-date ridership is up overall by 5.2%. The General Manager continued stating that the regional and national numbers for transit ridership is up and is the first time in 18 months showing an overall increase in ridership nationally. General Manager Thorne continued by stating that this trend should continue and solidifies that Connect is moving in the right direction and then added that the sustained range of the price of fuel would have an impact on ridership, especially if gas prices go up to \$3 a gallon, Connect could foreseeably see additional increases in ridership.

There being no further discussion the Board voted to approve the *Consent Agenda*.

AYE: All

NAY: None

Motion carried and the *Consent Agenda* was approved by the Board.

### **OLD BUSINESS**

None.

### **NEW BUSINESS**

#### *Presentation of Connect Transit 2018 Financial Audit by CliftonLarson Allen*

Ms. Hope Wheeler of CliftonLarson Allen was called upon by General Manager Thorne to present the 2018 Financial Audit.

Ms. Wheeler stated that Connect Transit has engaged CliftonLarson Allen to perform the following:

1. Express an opinion on Connect Transit's Financial Statements as of June 30, 2018;
2. To report on all government standards as applied to Connect Transit;
3. To report on Internal Controls and Compliance (GAS – Government Auditing Standards);
4. To express an opinion on Compliance Over Major Federal Programs; and
5. To summarize any audit findings and observations to Management and the Board.

Ms. Wheeler reported to the Board that in relation to the *Financial Audit* of Connect Transit by CliftonLarson Allen, it issued an unmodified opinion on the results of the financial audit which means there were no modifications to its opinion and is a clean opinion. CliftonLarson Allen opines that the Financial Statements are in accordance with generally accepted accounting principles.

Ms. Wheeler reported to the Board that the *Government Auditing Standards* opinion and *Federal Expenditures* opinion were found by CliftonLarson Allen as unmodified or "clean" opinions.

### **DISCUSSION**

Trustee John Bowman questioned Ms. Wheeler by asking (1) what did CliftonLarson Allen rule out of scope to a risk-based approach to the audit; and (2) what testing or consideration did it use for fraud?

Ms. Wheeler replied that inventory and prepaid expenses would be areas of non-high-risk. Ms. Wheeler continued by stating that there are a couple of requirements CliftonLarson Allen performs for each audit regarding fraud:

1. Fraud Inquiries CliftonLarson Allen selects certain people to talk to each year who are identified as the "CEO"; the "CFO"; and a Board Member. Randomly selected are one or two other people who are questioned to hone in on where these individuals may think there might be risks; if they have seen anything unusual; are they aware of any fraud; and general open-ended questions.
2. Unpredictable Scenarios It has become apparent over the years that auditing procedures across the board become pretty predictable. Each year CliftonLarson Allen brainstorms as to what type of tests it can run that are unpredictable.

Chairman McCurdy asked Ms. Wheeler how unusual is it to have an audit this clean and is a clean audit fairly typical?

Ms. Wheeler replied that it is fairly unusual to have an audit this clean and is to be considered atypical and something Connect should be proud of.

General Manager Thorne commended Pat Kuebrich, Connect Transit's Finance Director and LeeAnn Biddle, Connect Transit's Accountant for all the hard work to achieve such a tremendous result from the 2018 audit.

There was no further discussion regarding the 2018 Audit.

#### *Recommendation for Award of Snow Plowing Contract*

General Manager Thorne informed the Board that this *Recommendation* was included in the *Addendum* and stated that Connect's current contract for snow plowing ends soon. The General Manager Thorne stated that Staff reviewed the current scope of work for snow plowing and sought ways to lower the cost of this service. The proposed contract states a flat fixed-price contract for plowing and salting parking lots. General Manager Thorne stated that Connect received three (3) proposals for snow plowing services and is requesting that LKM Landscaping be awarded a one (1) year contract.

#### DISCUSSION

General Manager Thorne stated that typically after snow is plowed, salting is performed, and usually plowing is necessary for anything over two (2) inches of snow. Responding to Chairman McCurdy's question on what constitutes an emergency service, General Manager Thorne stated that every year snow drifting occurs at the Wylie Drive facility and the site must be revisited for further plowing.

After no further discussion, Chairman McCurdy called for a *Motion* on the *Recommendation for Award of Snow Plowing Contract*.

Trustee John Bowman moved to approve the *Recommendation for Award of Snow Plowing Contract*, seconded by Trustee Julie Hile.

AYE: All



NAY: None

Motion carried, and the *Recommendation for Award of Snow Plowing Contract* was approved by the Board.

*Recommendation for Award of Revolving Line of Credit*

Chairman McCurdy stated that the Board was aware that General Manager Thorne has met individually with each Trustee prior to the October Board meeting regarding this *Recommendation*.

General Manager Thorne stated that the Downstate Operating Assistance Program allows Connect's reimbursement of 65% of its eligible operating expenses. The General Manager continued by stating that Connect does not use its full IDOT apportionment because it does not have the operating revenue to match the full allocation that IDOT is providing. In further explanation, General Manager Thorne stated that the Downstate Operating Assistance Program allows agencies who use this money to fund capital purchases through a line item called "Debt Service". General Manager Thorne continued by stating that to use the Debt Service Program, Connect must obtain a revolving line of credit through a bank and once this revolving line of credit is secured, Connect will then be reimbursed 65% of its capital expense from IDOT. General Manager Thorne explained that in order to maximize all of Connect's grant funding sources and minimize Connect's local capital dollars, Connect will complete most of its capital projects with Debt Service and Federal Grant Funds which in turn allows Connect to build up a larger cash reserve and obtain flexibility as Connect looks forward to funding the future Downtown Transfer Center. General Manager Thorne explained that there is risk associated with using Debt Service funding because Connect will have to transfer a portion of its cash reserves to the bank in order to secure the line of credit. General Manager Thorne stated that the worst-case scenario would be having \$3M pledged with a revolving line of credit and needing those funds because the State of Illinois is not paying Connect on time which the General Manager called a "risk versus reward" scenario. General Manager Thorne stated that limiting Connect Transit's risk by building up its cash reserves prior to its commitment for a \$3M line of credit lessens the risk and allows Connect to finish important and needed capital projects. General Manager Thorne added that any "interest fees" that are charged to Connect are also reimbursable by the Downstate Operating Assistance Program. The General Manager stated that Connect would not have a \$3M line of credit until late 2019 when it plans to purchase four (4) electric buses and then General Manager Thorne recommended that the Board to approve a line of credit up to \$3M with Commerce Bank.

Chairman McCurdy called for a *Motion* on the *Recommendation for Award of Revolving Line of Credit*.

Trustee John Bowman moved to approve the *Recommendation for Award of Revolving Line of Credit*, seconded by Trustee Julie Hile.

**DISCUSSION**

General Manager Thorne stated that all of the interest on the loan will be reimbursed through IDOT.

Chairman McCurdy stated that other agencies use this IDOT program and then asked General Manager Thorne to share with the Board what those who use it are experiencing.

General Manager stated that this program has been very beneficial for the two (2) agencies that primarily use it, keeping in mind that Connect needs to be very careful not to place itself into a bad financial situation by having this revolving line of credit which ties up Connect's cash and then not having any reserve.

Trustee Julie Hile inquired that if other agencies that have used this Debt Service mechanism, when they came into the last (2) years where Connect's State Funds have been constrained, had these other agencies built up another cushion so that they did not take the hit and how did they survive that?

General Manager Thorne responded that the two (2) other agencies that have utilized this program are in a totally different situation than Connect due to the fact that these other agencies have taxing authority. The other transit agencies are leveraging taxing authority to secure the line of credit. General Manager Thorne continued by stating that these agencies can also use those funds to build up their cash reserves as well – as a general revenue fund. General Manager Thorne reminded the Board that any agency going into this must recognize that there is a risk and a reward in it. General Manager Thorne continued to state that if Connect uses the full amount of money at no cost, which in turn is used as leverage to finance the capital improvements and pay for it down the road when more IDOT funds are available.

The Chairman stated he appreciated the General Manager taking the time to meet with each of the Board members individually prior to the Board Meeting to assist in the understanding of what this *Recommendation* involves.

No further discussion.

AYE: All.

NAY: None.

Motion carried, and the *Recommendation for Award of Revolving Line of Credit* was approved by the Board.

#### *Recommendation of FY19 – FY23 Capital Improvement Plan*

General Manager Thorne stated that Connect's Capital Improvement Plan is updated annually by Staff and prioritizes capital items and indicates the funding associated with each purchase. The Plan from year to year will change and some of the items included such as HVAC is a "projected" dollar amount until Connect has a better understanding of the cost. The main focus of the *Capital Improvement Plan* is to maximize the use of Federal and State funding to complete the capital projects.

General Manager Thorne stated that Connect's three (3) top priorities in the next five (5) years are

1. The procurement of electric buses and the installation of electrical infrastructure at Connect's maintenance garage to charge the vehicles. Connect also wants to reduce energy needs and costs by installing solar arrays that will not only power the vehicles but also the buildings.
2. The second priority is continuing the *Better Bus Stops Campaign* and improving bus stop locations; and
3. To have funding flexibility to build a Downtown Transfer Center.

General Manager Thorne stated that it was uncertain whether the Downtown Transfer Center can be built by 2023 and continued by stating that a lack of a dedicated transfer center brought about a recent move to a temporary transfer location on Roosevelt Street. Connect has realigned some routes and has had some difficulty steering customers to the temporary transfer location.



## DISCUSSION

Trustee Ryan Whitehouse asked for a breakdown of the cost of the electric buses and asked if there will be any price increases for the next five (5) years?

General Manager Thorne stated that Connect is estimating is \$920,000 per bus the first year and the \$1M is an inflated number for all four (4) years. However, General Manager Thorne stated that after FY2019, Connect will come back to the Board with this discussion during our operating budget process and discuss with the Board what Connect wants to do in FY2020. General Manager Thorne reminded the Board that this is merely a blueprint document which may dictate the need for changes every year or even a need to be modified half way through the year. General Manager Thorne stated that operating a diesel bus over the life of operating an electric bus, Connect will see an operational savings of approximately \$260,000 over a period of twelve (12) years due to fuel and decreased maintenance for an electric bus. General Manager Thorne also stated that the electric buses will offer a good "return" on investment.

Chairman McCurdy reminded the Board that the solar arrays will also help power the building which will also prove to produce an operational cost savings. Chairman McCurdy asked the General Manager to talk a little bit about the intersection of the revolving line of credit and Connect's CIP (Capital Improvement Plan) as they are connected.

General Manager Thorne stated that the IDOT funding source as shown on the CIP refers to "IDOT Debt Service" not IDOT Capital. Connect will utilize State funds with Federal funds that it receives either through formula or discretionary – referring to Connect Transit's award amount received over the last two (2) years: \$7,450,000. Connect will limit the amount of local money that it uses. IDOT funding at 65% and federal funds at 35% will allow Connect to build up its cash reserves for its local capital account so that in 2023 or 2024, the mechanism by which Connect funds building a Downtown Transfer Center is in place by a cash reserve.

General Manager Thorne explained that Connect updates its Capital Improvement Plan every year because opportunities for funding arise every year and in the very near future there will be the possibility of available Volkswagen Settlement funds that could be awarded to Connect which could change its purchasing power as it relates to the Downtown Transfer Center.

Chairman McCurdy inquired of the General Manager; provided Connect has a location which is key, could it possibly begin the Downtown Transfer Center project in 2023?

General Manager Thorne stated that because the Downtown Transfer Center is part of the Plan and if Connect is working towards building a Downtown Transfer Center, it is possible to achieve in 2023 if all the numbers align by using the Debt Service program.

Trustee Julie Hile asked if the numbers given to the Board with the new technology were conservative. General Manager Thorne responded that a concern to keep in mind is that as technology advances, the FTA has a clause called "the cardinal change". Connect would not be allowed to update battery technology as that would be considered a "cardinal change" and that Connect is studying whether it should lease the batteries and let the manufacturer replace those with new technologies since Connect would not own them; or in the alternative, does Connect go out for bids and buy four (4) new buses every year with a new contract. General Manager Thorne continued by stating that one agency in Illinois is getting around the technology advances by leasing the batteries for five (5) years but added that Connect is not certain which option is better at this time. General Manager Thorne stated that it is very expensive to lease the batteries

at \$49,000 a year. General Manager Thorne stated that at the end of the lease agreement, the manufacturer comes in and replaces all the batteries with new ones. Connect is uncertain in what direction it wants to go but it does not want to get locked into old battery technology. General Manager Thorne stated that in speaking with multiple manufacturers, they do not believe the technology will advance that much within 3-4 years.

Chairman McCurdy asked what the General Manager's observations were when the electric bus visited Connect. General Manager Thorne stated that the electric bus was here for two (2) days and General Manager Thorne introduced Brady Lange, Connect's Maintenance Manager, to report on the electric bus visit.

Mr. Lange reported that the Maintenance Department had the opportunity to ride on the 35' electric bus and was able to put it on one of the lifts to let the Maintenance employees look at it. Connect drove it down the Silver route and then up the Green route and then onto the Lime route. Mr. Lange stated it was a good ride which demonstrated a 2% discharge from the battery for the entire ride.

General Manager Thorne stated Connect is considering having bus manufacturers come in and let Connect test the bus for a week to see how the electric bus does in Connect's operations before its procurement. Connect is also considering a "tool" that can be placed on a bus which displays the load factor when it is going uphill, downhill and when running the heat or air conditioning with a monitor that tells you the operating range of the electric bus in our operating environment.

Trustee John Bowman asked the General Manager if the manufacturer for the first bus is Proterra?

General Manager Thorne stated that Connect will issue a competitive procurement for electric buses. This allows Connect to use IDOT funding at 65%, Connect must exercise the procurement method to be approved by IDOT, pre-bid and post-award. The General Manager stated that as an option, Connect would rather go this route versus spending \$900,000-\$1M of Connect's local capital on the electric buses, adding that this is another reason Connect is delaying delivery until late fall or winter.

Trustee John Bowman asked if there any constraint for using geo-thermal for the HVAC?

General Manager Thorne stated that Connect is currently utilizing eight (8) residential units for a commercial building which constantly exhibits issues. General Manager Thorne continued by stating that Connect could use geo-thermal which would make a lot of sense.

After no further discussion, Chairman McCurdy called for a *Motion* on the *Recommendation of FY19 – FY23 Capital Improvement Plan*

Trustee Julie Hile moved to approve the *Recommendation of FY19 – FY23 Capital Improvement Plan*, seconded by Trustee John Bowman.

AYE: All

NAY: None

Motion carried and the *Recommendation of FY19 – FY23 Capital Improvement Plan* was approved by the Board.



## GENERAL MANAGER'S REPORT

General Manager Thorne offered an invitation to all Board Members to attend a visit by the FTA Administrator to Bloomington-Normal on Friday to talk about the grant funds that Connect Transit, Galesburg, Quincy and Decatur received. Together with the FTA Administrator will also be Congressman LaHood, Congressman Davis, Senator Durbin and Senator Duckworth are also invited. The FTA Administrator will be speaking at the McLean County History Museum at 10:00 a.m. and should last about 45 minutes.

## DISCUSSION

Trustee John Bowman stated a concern with Connect's fare recovery in relation to Connect's monthly expenses which continues to hover around just above 10% and even though ridership is up, Connect is still not increasing a revenue stream relative to the expenses of the system. Trustee Bowman further inquired whether the Medicaid fares Connect receives are added to the fares numbers.

General Manager Thorne stated that those numbers have a lot to do with the fact that Connect has not raised its fares in 11 years. Connect is receiving Medicaid funding from those that are eligible. General Manager Thorne stated that submission of the billing paperwork is going slower than anticipated due to the fact this process is a long and tenuous one before payment is received by Connect. General Manager Thorne added that when those individuals who are qualified for Medicaid are approved, Connect eventually recovers from the providers.

Connect's Operating Manager Martin Glaze stated that it usually takes 2-4 weeks to get paid once the submissions are sent out. Mr. Glaze continued to state that Connect is still billing through DHS and has applied for approval of all of the MCOs in the State of Illinois. Mr. Glaze reported that Connect has already provided 400 trips since the beginning of this billing and has billed only 60 trips. Connect submits a form to the individual's physician that verifies the individual's needs for a ramp or a lift which nearly doubles the amount paid for a trip, noting that Connect Staff must take extra steps to stay on top of the physicians to encourage them to fill out and return the paperwork. Mr. Glaze also stated that even though the process is tedious, Connect hopes to recover \$12-\$20 per trip.

Trustee John Bowman referred back to the "Fixed Route Customer Training Program" which referenced the Program for training employees and asked if there was mandatory compliance training that the Officers and/or Staff are required to complete or is there operational training that is offered to employees and would it be possible to get a report out on that training?

General Manager Thorne stated that currently there is no required training for employees dealing with individuals with cognitive disabilities although Connect is working on creating a program to teach employees ways they can interact with those individuals who have cognitive disabilities. Through a contact at Marcfirst, Connect learned that Marcfirst received funding a few years ago to create a program like this. Dave White, Connect's Safety/Training Director reached out to Marcfirst and spoke with them about materials they have already created. Staff is not only working on how it can incorporate this training into its new employee orientation but also how it can provide this training on an annual basis with its employees.

Chairman McCurdy stated that Universal Access Agreements where customers ride – per ride at a discount – would also cut into the fare recovery and both are addressable.

General Manager Thorne stated that Connect raised its passes to \$32 from \$29 which is the first time Connect increased the price of passes for many years. If you are asking if that increase correlates with the additional



service Connect also provides, probably not. All of these areas need to be addressed in a fare structure and there may also be service changes to address this issue.

**TRUSTEE'S COMMENTS**

Chairman McCurdy stated that the Board Member will be hearing from him in the next few weeks regarding the creation of standing committees. The Chairman stated that there is work that the Board needs to undertake that cannot be addressed in a Board meeting setting; such as budget; finance; political advocacy; and maybe others.

Chairman Mike McCurdy then asked for a motion to Adjourn.

Trustee John Bowman moved to adjourn regular meeting, seconded by Trustee Julie Hile.

AYE: All

NAY: None

Meeting was adjourned at 5:25 p.m.

  
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Jill Bower – Board Clerk

  
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Secretary John Bowman

