

# Finance Committee

June 11, 2024 | 4:00 p.m. – 5:00 p.m.



## Onsite:

Greater Portland Transit District  
114 Valley Street, Conference Room A | Portland, ME 04102

## Remote:

Please click the link below to join the webinar:

<https://us02web.zoom.us/j/84392662657?pwd=TW5oSnJNSjVZNFZoSUFZOVWl4VGRkdz09>

Passcode: 146635 | Webinar ID: 834 9266 2657

Phone: (646) 558-8656 | Telephone participants: \*9 to raise hand, \*6 to unmute

## MEETING AGENDA

AGENDA ITEM	PRESENTER	ACTION or INFORMATION
<b>1. Call Meeting to Order (4:00)</b>	Paul Bradbury, Committee Chair	N/A
<b>2. Public Comment (4:00-4:05)</b> The Finance Committee welcomes public comment. For items NOT listed on this agenda, the chair will recognize speakers at this point on the agenda. For items on the agenda, the chair will recognize public comment following the staff presentation. There is a 3-minute time limit per speaker.	Paul Bradbury, Committee Chair	Information
<b>3. Approval of Meeting Minutes (4:05-4:05)</b> The committee will be asked to approve minutes from the April 24, 2024 meeting of the Finance Committee.	Paul Bradbury, Committee Chair	<b>ACTION</b>
<b>4. South Portland Merger Cost Sharing Analysis (4:05-4:35)</b> Staff will present draft recommendations for cost sharing related to Metro's proposal for South Portland to join Metro.	Glenn Fenton, Interim Executive Director	Information
<b>5. Future Agenda Items (4:35-4:40)</b> Committee members may request future agenda items. <ul style="list-style-type: none"><li>• Review board policies pertaining to procurement (TBD)</li><li>• Comprehensive review of board policies (TBD)</li><li>• Federal Grant Awards/Activity (TBD)</li><li>• Long Range Financial Forecasting (Ongoing)</li><li>• Transit Asset Management Plan (TBD)</li><li>• State Funding- baseline and recurring (Ongoing)</li></ul>	Paul Bradbury, Committee Chair	Information

<p><b>7. Upcoming Meetings (4:40-4:40)</b></p> <ul style="list-style-type: none"> <li>• Executive Committee – June 12, 2024 at 3:30 pm</li> <li>• Ridership Committee – June 18, 2024 at 3:30 pm</li> <li>• Board of Directors – June 27, 2024 at 4:00 pm</li> <li>• Finance Committee – August 7, 2024 at 4:00 pm</li> </ul>	<p>Paul Bradbury, Committee Chair</p>	<p>Information</p>
<p><b>8. Adjournment (4:45)</b></p>	<p>Paul Bradbury, Committee Chair</p>	<p><b>ACTION</b></p>

*As of November 9, 2022 Greater Portland METRO is holding meetings of the Board of Directors (and its committees) in hybrid format, both in person at METRO’s offices and via webinar. The remote portions of all meetings are conducted in accordance with the requirements of [METRO’s Remote Participation Policy](#) (adopted August 25, 2022) as well as LD 1772, PL 2022 Ch. 666, and 1 MRSA Chapter 13, Subchapter 1.*



**Greater Portland Metro Finance Committee**  
**Wednesday, April 24, 2024:**  
**Meeting Minutes:**

Member:	Municipality:	Role:	Status:
Paul Bradbury	Portland	Chair	Present
Merrill Barter	Falmouth	Member	Present
Ryan Leighton	Brunswick	Member	Present
Jeff Levine	Portland	Member	Present
Ed Suslovic	Portland	Member	Present
John Thompson	Westbrook	Member	Present
Tom Poirier	Gorham	Member	Present

Staff Present	Identified Members of the Public
Glenn Fenton – Chief Transportation Officer, Interim Executive Director	Zach Snader - RKO
Shelly Brooks – Chief Financial Officer	Casey Leonard - RKO
Debbie Fitzpatrick – Accounting Manager	

- I. **With a Quorum in place, this meeting was called to Order By: Paul Bradbury at: 4:01 pm**
  
- II. **Public Forum:** No members of the public were present.
  
- III. **Approval of February 7, 2024 Meeting Minutes:**  
 John Thompson made a motion to approve the February 7, 2024 meeting minutes. Merrill Barter seconded the motion. After a roll call of the members present, it was unanimously approved.
  
- IV. **2023 Financial Audit:**  
 Casey Leonard presented the 2023 Financial Audit. The committee is pleased with the financial audit results. The audit produced no findings, recommendations, or management letter. John Thompson motions to bring to the board, Ed Suslovic seconds the motion. After a roll call vote of the members present, it was unanimously approved to bring the 2023 Financial Audit to the full Board of Directors.
  
- V. **Election of Vice Chair:**  
 Paul Bradbury leads item 5, election of Vice Chair. Ed nominates Jeff Levine, Ryan seconds the motion to nominate Jeff, and Jeff Levine accepts the nomination for vice chair of the Finance

Committee. After a roll call vote of the members present, it is unanimously approved to have Jeff Levine as Vice Chair.

**VI. 2024 Budget to Actual Update:**

Shelly Brooks leads the discussion on item 6, 2024 Budget to Actual Update through March. Actuals show on target through 1<sup>st</sup> quarter. Staff discussed some items to monitor as the year progresses. The Committee discussed the use of Board restricted fund balance for cash flow to reduce TAN financing. Committee requested a future agenda item for this topic.

**VII. Future Agenda Items:**

- Review Board Policies pertaining to procurement
- Board restricted fund balance usage
- Comprehensive review of board policies (TBD)
- Federal Grant Awards/Activity (TBD)
- Long Range Financial Forecasting (TBD)
- Transit Asset Management Plan (TBD)
- State Funding – Baseline and Recurring (TBD)

**VIII. Upcoming Meetings:**

- Executive Committee – May 8, 2024 at 3:30 pm
- Ridership Committee – May 15, 2024 at 4:00 pm
- Board of Directors – April 25, 2024 at 4:00 pm
- Finance Committee – June 5, 2024 at 4:00 pm

**IX. Adjournment:**

**Ed Suslovic moves to adjourn meeting, John Thompson seconds, meeting adjourned at 4:29 pm.**



## FINANCE COMMITTEE

## AGENDA ITEM 4

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### DATE

June 11, 2024

### SUBJECT

Cost Sharing Analysis for South Portland to join Metro

### PURPOSE

Compare cost sharing options for South Portland to join Metro. Select a preferred option to be included in Metro's proposal to the South Portland City Council.

### BACKGROUND/ANALYSIS

Metro adopted a new cost and revenue allocation model in 2023. This model separates fixed and variable costs, assigns credits from various funding sources and determines the local cost to operate each route (after fare revenue has been credited). Each municipality's expense is determined based on the percentage of revenue hours operated in that community. Service currently operated in South Portland by Metro is being offset using state funding so that no current Metro communities directly pay for this service.

Staff estimated the cost for Metro to operate South Portland's current bus service staff by calculating wages and benefits of the 9 bus operators and 1 mechanic currently employed by South Portland at Metro's union wage scale. Additionally, staff estimated fuel expense, parts and maintenance as well as other costs like insurances. The estimated total expense for Metro to operate South Portland's Bus Service is \$1,400,000 in 2024.

#### Cost Allocation Model

The additional expenses were added to both the fixed and variable costs in Metro's current 2024 budget model. Next staff added South Portland's existing funding based on South Portland's FY 2024-25 budget (federal, state and advertising). The number of revenue hours in each jurisdiction operated by South Portland Bus Service was calculated (South Portland operates buses in South Portland, Scarborough and Portland). Once this was done, fares were credited to South Portland routes based on estimated ridership and budgeted fare revenue.

With all of South Portland's data added into the model, staff removed the special credit for South Portland service currently operated by Metro and applied the same type of credit to the service South Portland currently operates in Scarborough. Based on these adjustments the model calculated a local contribution amount for South Portland of \$905,634 for 2024 (see Table 1). Currently, South Portland has budgeted \$801,058 in taxation to support bus service operations. This amount includes most overhead and indirect costs associated with South Portland's operations.

**Table 1**

Municipality	FY 2023	Debt Service	FY 2024			Change	
			Fixed	Variable	Total	%	\$
Brunswick	\$ 87,235	\$ 7,567	\$ 15,392	\$ 39,656	\$ 62,615	-28%	\$ (24,620)
Falmouth	\$ 228,596	\$ 11,081	\$ 22,539	\$ 162,048	\$ 195,669	-14%	\$ (32,927)
Freeport	\$ 87,235	\$ 7,567	\$ 15,392	\$ 39,656	\$ 62,615	-28%	\$ (24,620)
Gorham	\$ -		\$ 29,020	\$ 75,019	\$ 104,039	100%	\$ 104,039
Portland	\$ 3,176,567	\$ 221,557	\$ 450,653	\$ 1,551,082	\$ 2,223,292	-30%	\$ (953,275)
South Portland	\$ -		\$ 118,155	\$ 787,479	\$ 905,634	100%	\$ 905,634
Westbrook	\$ 832,703	\$ 58,025	\$ 118,025	\$ 514,785	\$ 690,836	-17%	\$ (141,867)
Yarmouth	\$ 87,235	\$ 7,567	\$ 15,392	\$ 39,656	\$ 62,615	-28%	\$ (24,620)
<b>Annual Total</b>	<b>\$ 4,499,571</b>	<b>\$ 313,365</b>	<b>\$ 784,569</b>	<b>\$ 3,209,383</b>	<b>\$ 4,307,316</b>	<b>-4%</b>	<b>\$ (192,255)</b>

In meeting with South Portland’s City Manager, four main priorities were expressed by the South Portland City Council’s regarding rejoining Metro. Those priorities are; current South Portland employees transitioning smoothly, service enhancements, adequate board representation and long-term cost savings. In the interest of meeting the goal of long-term cost savings staff explored other options for adding South Portland to the cost sharing model.

Metro has historically provided credits to communities that have piloted new routes. In some cases, these credits or offsets having extended for several years. The case for South Portland to receive a credit is different than Metro’s previous credits, which were applied to communities with new bus service in most cases being piloted. South Portland has mature transit routes, transit staff and equipment that Metro would assume in the event of a merger. There are additional assets that would also be transferred in the event of a merger as well; like bus shelters, support vehicles and bus parts. It’s for these reasons that staff recommend a permanent credit to South Portland for the service that Metro is already operating in South Portland on Metro Routes 3 and 5. This is essentially a continuation of Metro’s current practice of paying for service in South Portland operated by Metro using state funding. In order to have equity, staff also recommend offsetting the cost of the South Portland’s existing service in Portland.

The proposed exceptions to Metro’s cost allocation model are intended to be indefinite. However, any service changes that are approved by the communities would be subject to the current cost allocation model. Metro has several conceptual route interlines and service enhancements that will be presented to South Portland and Portland in the event of a merger. These service changes are designed to reduce duplication of services and improve system connectivity.

The under the proposed South Portland credit model, South Portland stands to save approximately, \$75k in year one (see Table 2).

**Table 2**

Municipality	FY 2023	Debt Service	FY 2024			Change	
			Fixed	Variable	Total	%	\$
Brunswick	\$ 87,235	\$ 7,567	\$ 15,392	\$ 45,137	\$ 68,096	-22%	\$ (19,139)
Falmouth	\$ 228,596	\$ 11,081	\$ 22,539	\$ 170,074	\$ 203,695	-11%	\$ (24,901)
Freeport	\$ 87,235	\$ 7,567	\$ 15,392	\$ 45,137	\$ 68,096	-22%	\$ (19,139)
Gorham	\$ -		\$ 29,020	\$ 85,353	\$ 114,373	100%	\$ 114,373
Portland	\$ 3,176,567	\$ 221,557	\$ 450,653	\$ 1,655,955	\$ 2,328,165	-27%	\$ (848,402)
South Portland	\$ -		\$ 118,155	\$ 607,094	\$ 725,249	100%	\$ 725,249
Westbrook	\$ 832,703	\$ 58,025	\$ 118,025	\$ 556,813	\$ 732,864	-12%	\$ (99,839)
Yarmouth	\$ 87,235	\$ 7,567	\$ 15,392	\$ 45,137	\$ 68,096	-22%	\$ (19,139)
<b>Annual Total</b>	<b>\$ 4,499,571</b>	<b>\$ 313,365</b>	<b>\$ 784,569</b>	<b>\$ 3,210,700</b>	<b>\$ 4,308,633</b>	<b>-4%</b>	<b>\$ (190,938)</b>

**Other Credits**

As part of a merger, South Portland would transfer 5 buses to Metro. After depreciating the buses from purchase date to current the remaining local interest in the buses is \$251,256. Staff recommend that South Portland receive a one-time credit for this residual value. This credit would be applied in Metro’s budget year 2025.

If South Portland’s City Council indicates an interest in joining Metro, staff would need to complete a more exhaustive analysis of what other assets, equipment and bus parts should be transferred and what credit, if any, South Portland should be provided for those additional items. We don’t expect this to be a material matter in the merger.

**Debt Service**

Metro currently has \$1,210,350 in bond debt, used to pay for the local portion of large capital expenses. When new communities join Metro previous debt that Metro carries is withheld from the cost allocation model so that new communities only pay for debt service for which they had Board representation to approve. The same policy is proposed for the inclusion of South Portland into Metro. South Portland would be held harmless from paying for existing debt and would only be responsible for new debt incurred after they join Metro.

**Projection**

Staff projected a three year look ahead of prospective service, revenue and expenses with South Portland as a Metro member community. This projection is based on a number of assumptions about service changes. Specifically, it assumes that the current American Rescue Plan Act (ARPA) service improvements are made permanent in 2026. There are also assumptions made about operating cost increases and modest growth in federal funding. See the estimated local contributions by municipality in Table 3.

**Table 3**

Municipality	2024 (current)	2024 (proposed)	2025	2026	2027
Brunswick	\$ 93,440	\$ 68,096	\$ 151,800	\$158,107	\$162,064
Falmouth	\$ 240,810	\$ 203,695	\$ 222,533	\$589,404	\$609,545
Freeport	\$ 93,440	\$ 68,096	\$ 151,800	\$158,107	\$162,064
Gorham	\$ 170,139	\$ 114,373	\$ 121,491	\$164,642	\$182,906
Portland	\$ 3,026,189	\$ 2,328,165	\$ 2,761,465	\$3,354,162	\$3,982,500
South Portland	\$ -	\$ 725,249	\$ 724,062	\$634,956	\$684,691
Westbrook	\$ 927,212	\$ 732,864	\$ 929,640	\$802,712	\$848,127
Yarmouth	\$ 93,440	\$ 68,096	\$ 151,800	\$158,107	\$162,064
<b>Annual Total</b>	<b>\$ 4,644,670</b>	<b>\$ 4,308,633</b>	<b>\$ 5,214,591</b>	<b>\$6,020,197</b>	<b>\$6,793,961</b>

**Capital Improvement Plan**

Metro would need 5 additional buses in order to operate South Portland’s current bus service. However, staff would recommend that 7 buses be transferred. This would allow Metro to replace two 2011 Gillig buses that are planned to be retired in 2025 with two 2014 Gillig buses from South Portland’s fleet. Removing these buses from the Metro’s 2025 CIP budget would reduce the 2025 CIP by \$1,212,927 including \$121,293 in local match (bond debt).

Increasing Metro’s fleet size will necessitate a revision to Metro’s fleet replacement plan and CIP in future years to accommodate on-time replacement of additional buses. The larger fleet will require more capital funding to be programmed in future years.

**Regional Federal Funding Considerations**

The current version of the PACTS Policy for Suballocating Regional Transit Funding uses four key metrics for allocating federal 5307 grant funding to PACTS member transit agencies. The metrics are; vehicle revenue hours, ridership, low income population near transit stops and population and jobs near transit stops.

Due to overlap in service area between Metro and South Portland Bus Service, the credit for accessing low income populations and population and jobs is currently counted for both agencies. In a merger scenario, these metrics would only be counted once for Metro. The result of this is that Metro could stand to receive less federal funding than the sum of Metro’s and South Portland’s current funding if South Portland joins Metro.

This presents an obvious issue when merging two transit providers is disincentivized. Staff have raised this issue with GPCOG staff and plan to further address it with the Transit Taskforce that is responsible for this policy.

**FISCAL IMPACT**

South Portland joining Metro would benefit all parties financially and make for a larger organization that should be more competitive when seeking future funding from various sources.



The exact amount of savings will depend on the final details of a merger agreement as well the timing of the merger.

**PREVIOUS COMMITTEE REVIEW**

**RECOMMENDATION**

This item is for input and discussion.

**CONTACT**

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