Prior to the start of the meeting, the Assistant General Counsel confirmed that all requirements of the Ralph M. Brown Act (Govt. Code Sections 54950, et seq.) and the provisions of Board Policy 100, Section 4.8 regarding teleconferenced meetings were met in order for Vice President Young to participate in the meeting and advised that all votes must be taken by roll call vote.

The meeting was called to order at 9:33 a.m. with Chairman Harper presiding.

Committee Members Present: Director Davis, Vice President Young, and Director Harper, Committee Chair.

Committee Members Absent: None.

Also Present: Interim General Manager Mary King, Assistant General Counsel Carol Babington, Chief Financial Officer Lewis Clinton, and District Secretary Linda Nemeroff.

Public Comment
There was no public comment offered.

INFORMATION ITEM(S) (Consent Calendar)
[Items listed under the Consent Calendar are considered to be routine and may be enacted by one motion/one vote. If discussion is desired, an item may be removed from the Consent Calendar and will be considered individually.]

MOTION: YOUNG/DAVIS to approve the consent calendar as presented and forward to the Board of Directors recommending approval with the exception of Item No. 2, which was pulled by Director Harper (3).
1. Consider recommending the adoption of Resolution No. 10-028 authorizing the Interim General Manager or her designee to submit an allocation request to the Alameda County Transportation Improvement Authority (ACTIA) for Measure B funds from the Berkeley/Oakland Corridor revenues – Project 7A (GM Memo No. 10-136). [Request to forward to the Board of Directors the same day for action pursuant to Board Policy 100, Section 5.5.4.]

2. Consider recommending adoption of Resolution No. 10-029 authorizing the Interim General Manager or her designee to file an application for Federal Transit Administration (FTA) Section 5309 Discretionary Bus and Bus Facilities Program funds for the State of Good Repair Project, committing the necessary local matching funds, and stating assurances to complete the project (GM Memo No. 10-134).

Item No. 2 was pulled by Director Harper for a presentation of the staff report.

Manager of Capital Development, Legislation and Grants Kate Miller presented the staff report, noting that the funds would be used to ensure that the existing fleet of buses remained in a state of good repair and that the matching requirement only involved staff time.

MOTION: YOUNG/DAVIS to recommend adoption of Resolution No. 10-029 as presented (3).

Ayes: Vice President Young, Director Davis, Chairman Harper – 3
Noes: None – 0
Abstain: None – 0
Absent: None – 0

3. Consider recommending that the Interim General Manager be authorized to terminate the contract with United Healthcare for third party administration fees and HCC Life Insurance for stop loss fees (GM Memo No. 10-132).

4. Consider recommending that the Interim General Manager be authorized to enter into contract renewals for Kaiser Health Plan HMO and Healthnet HMO, and approve the renewal rates for COBRA and retiree dental (GM Memo No. 10-133).

BRIEFING ITEM(S)/ACTION ITEM(S)

5. Consider receiving third quarter report on the implementation of the Finance/Human Resources (FHR) System (GM Memo No. 10-129).
Chief Financial Officer Lewis Clinton introduced Finance System Support Manager Dennis Butler who presented the staff report. Mr. Butler reported that the District had accomplished the major objectives of the project, including enhanced reporting for grants, electronic requisitions, and the integration of Purchasing and Finance. He added that the first 10 months of operational experience had yielded some lessons learned involving the requisition approval and workflow processes, noting that more effort would be made to help employees adapt to the system.

Chairman Harper requested that future reports be restructured as a punch list based on the feedback provided by users in addition to what was being done to address and/or respond to the issues raised. Mr. Clinton advised that staff had begun work on a punch list and would address the issues that staff was aware of and discuss what was being done to increase expertise and utilization of the system.

Director Davis inquired about the role of the consultant versus staff in terms of the punch list. Mr. Clinton advised that CherryRoad was still working on integration issues and that the project manager (consultant) would be eliminated in the new fiscal year because his work was complete.

Director Harper relayed the perception that users were disappointed in CherryRoad. Mr. Clinton advised that CherryRoad had directed the project early on with little input from the District, noting that there had been significant changes in the approach and attitudes mid-way through the project in order gain more control over what the system requirements were versus what was being delivered. He added that the consultants would be held accountable and that Internal Audit would audit the project.

**MOTION: YOUNG/DAVIS** to forward to the Board of Directors recommending receipt (3).

Ayes: Vice President Young, Director Davis, Chairman Harper – 3
Noes: None – 0
Abstain: None – 0
Absent: None – 0


Chief Financial Officer Lewis Clinton presented a review of the Third Quarter Projections and budget amendment for FY 2010-11, noting a projected deficit of $11.1 million for FY 2009-10 and $1.7 million for FY 2010-11. He added that the District would face significant challenges in producing balanced operating budgets in the years to come.
Mr. Clinton provided an overview of the following budgetary items:

- Reduction in labor costs;
- Reductions in materials, supplies, fuel and lubricants, and services;
- Departmental reorganizations and operational efficiencies;
- Workforce reductions;
- Seniority and “bumping rights”;
- Overtime and unsustainable work rules;
- Employee benefits;
- Capital budget (would be provided at a later date once completed);
- Sustainable funding sources;
- Litigation and settlements;
- Service reductions; and
- BART Transfers.

Chairman Harper inquired about the status of the print shop, noting that most transit agencies had outsourced all printing. Mr. Clinton advised that staffing at the print shop had been reduced and that a comprehensive review of the District's printing needs would be conducted in order to determine what changes should be made and how much savings would result.

Chairman Harper asked why funds for litigation and settlements had been budgeted over several years. Mr. Clinton advised that the District hadn't planned for these expenses in the past but needed to in the future so that funds were available when settlements were paid. Chief Transportation Officer Kathleen Kelly advised that the travel time lawsuit had resulted in an ongoing annual expense.

Director Davis inquired about cash flow interruptions. Mr. Clinton advised that the nature of the District's cash flow was cyclical and that the coming fiscal year would be challenging due to the payment of the travel time settlement. Interim General Manager Mary King reported that while the District had obtained a line of credit, she would recommend that additional cuts be made before the line of credit was used.

Director Davis also inquired about the potential for further decreases in revenues. Mr. Clinton advised that the primary areas of concern were the farebox, subsidies and property tax revenue.

Chairman Harper commented on the need to resolve outstanding issues related to the budget and reserve policies.

Public Comment:
Jane Kramer asked for a more detailed description of the expenses identified as "other" on Line 48 of the 10-Year Projections for the Third Quarter (Attachment 3 of the staff report). She further commented that as a rider, she wanted to know that the District had flexibility in the way it used and thought about using its resources.

MOTION: DAVIS/HARPER to forward to the Board of Directors recommending adoption of Resolution No. 10-026 as presented (2-0-1).
Ayes: Director Davis, Chairman Harper – 2
Noes: None – 0
Abstain: Vice President Young – 1
Absent: None – 0

7. Consider recommending adoption of **Resolution No. 10-006** establishing reimbursement guidelines for employee relocation expenses (Requested by Director Davis – 9/30/09) (GM Memo No. 10-056).

Human Resources Manager Shelley Fogel presented the staff report. Director Davis inquired about the $10,000 cap. Ms. Fogel reported that the cap had been derived from a previous Board action wherein relocation expenses were limited to $10,000, noting that the amount was reasonable and would likely cover the majority of expenses in most cases. She added that the Board would need to approve any exceptions over $10,000.

**MOTION: DAVIS/YOUNG** to forward to the Board of Directors recommending adoption of **Resolution No. 10-006** as presented (3).

Ayes: Director Davis, Vice President Young, Chairman Harper – 3
Noes: None – 0
Abstain: None – 0
Absent: None – 0

**Agenda Planning**
There were no new items added to Agenda Planning.

**May**
- Report confirming that the most recent service adjustments resulted in the platform hours expected (Requested by Director Harper – 4/14/10).

**June**
- Report on the impacts of the healthcare reform bill is on AC Transit (Requested by Director Peeples – 3/24/10).
- Amendments to Board Policy 312 – Budget Policy [Referred by the Board of Directors back to the Finance and Audit Committee on August 26, 2009].
- Amendments to Board Policy 360 – Reserve Policies [Retained in Committee January 21, 2009 for further discussion with the actuary regarding self insurance confidence levels].

**October**
- Report on ways to improve transparency in the Procurement Department (Requested by Vice President Young – 2/24/10).
Report on the Health and Wellness Program (Requested by Vice President Young – 5/12/10).

Pending Not Scheduled
- Report on how AC Transit can assist the Oakland Unified School District in addressing truancy issues through the review of the fare policy (Requested by Vice President Young – 2/24/10). To be addressed in conjunction with the fare policy study.

Semi Annual Report
- Status update on the Tactical Initiatives to Address the Fiscal Deficit (Requested by Director Davis – 7/29/09).

Quarterly Reports
- Board/Officer Travel/Meeting Expense (Aug – Consent)
- Employee Out-of-State Travel (Aug – Consent)
- Financial Performance/Quarterly Budget Update (Aug)
- Surplus/Obsolete Materials (Aug – Consent)
- Finance/Human Resources (FHR) System Implementation (Aug)

Semi-Annual Reports (Consent)
DBE/FTA Report (May/Nov) JUNE
Retirement Board (July/Dec)


Annual Reports (2010)
Fare Structure Update (Mar) Action
Appropriations Limit (June) Action
DBE Goals (July) Action
Externally Funded Welfare to Work (Nov) Consent
Parcel Tax Oversight Committee (Dec to Board) Action
Year-End Audited Financial Statements (Nov) Briefing

Board/Staff Comments (Government Code Section 54954.2(a))

Adjournment
There being no further business to come before the committee, the meeting was adjourned at 11:02 a.m. The next meeting of the Finance and Audit Committee is scheduled for Wednesday, June 23, 2010.

Respectfully submitted,

Linda A. Nemeroff
District Secretary