



Charles D. Baker, Governor
Karyn E. Polito, Lieutenant Governor
Stephanie Pollack, MassDOT Secretary & CEO
Frank DePaola, General Manager
Brian Shortsleeve, Chief Administrator



Fiscal and Management Control Board

August 31, 2015
MassDOT Boardroom
10 Park Plaza, Suite 3830
Boston, MA

MEETING MINUTES

Members: Chairman Joseph Aiello, Director Lisa Calise, Director Brian Lang, Director Steven Poftak, and Director Monica Tibbits-Nutt

Present: Chairman Joseph Aiello, Director Brian Lang, Director Steven Poftak, and Director Monica Tibbits-Nutt

Quorum Present: Yes

Other Participants: Secretary Pollack, Frank DePaola, Brian Shortsleeve, Owen Kane, John Englander

PROCEEDINGS:

Call to Order by Chairman Aiello

The Chair called the meeting to order of business at 1:00pm.

The Chair opened up the meeting for public comment.

The first speaker was Steve Kaiser. Mr. Kaiser commented on the 'Look Back/Lessons Learned Analysis on the Green Line Extension' and the diesel fuel procurement.

The next speaker was Louise Baxter from the TRU. Ms. Baxter asked that customer service representatives be honest when giving customers information.

PROCEDURAL ITEMS

The vote to accept the minutes of the August 24, 2015 meeting was deferred.

PRESENTATIONS/DISCUSSION

Next Chief Administrator Brian Shortsleeve gave his report and presented Item Number 5, the update on the MBTA's financial situation. Mr. Shortsleeve noted the structural deficit is what the team is focusing on: fares, other operating revenue, dedicated local assessments, dedicated sales tax amount, and additional income i.e. legal services, Silver Line, and interest income.

Director Poftak asked about the 'materials and services.' Mr. Shortsleeve said it does not include the RIDE or commuter rail and tends to be engine components, legal and professional services. Director Poftak asked what the standard of good operating service is. GM DePaola said this item reflects the unanticipated work from the extreme winter that drove up costs and that's why this number is so high.

Chairman Aiello asked about the increase in wages, and Mr. Shortsleeve said this is contractual and will continue to grow in time as wage rates go up. Director Poftak asked about overtime and fringe benefits, and Mr. Shortsleeve said overtime is not pensionable and definitely the right way to go, and that he knows this will go up as employees are brought in from the capital budget to the operating budget.

Next Mr. Shortsleeve looked at the month of July, 2015. Director Poftak asked about the big change in the pension number, was that formula driven? Mr. Shortsleeve said that it was more to do with July 2014, which was lower than normal, than July 2015. Director Lang asked if there was a way to dig deeper into debt service and strategize how to lower it. Mr. Shortsleeve said he would follow up on this. Secretary Pollack said they will continue to get regular budget updates.

Next General Manager DePaola gave his report. There was no further discussion.

Next General Manager DePaola presented the Look Back/Lessons Learned on the Green line Extension project. Chairman Aiello would like the Board to consider bringing in an outside firm to do an independent analysis and see how they got to where they are on the increase in construction costs and to understand the dynamics of the contract. Secretary Pollack agreed that it was appropriate for the Board to receive independent advice so they will know how to vote in the future. She will put together a scope of work and move ahead to procure the services. Chairman Aiello would like to look into the management side of the contract, and Director Poftak would like to make sure that whoever is hired to look at the procurement of this contract be qualified and not connected in any way to the current project.

The next agenda item was an update on the backlog of the state of good repair database. Director Poftak, who has been leading this review with Director Calise, and Secretary Pollack to gave an overview of the database. Thom Dugan, Director of Capital Budget for the MBTA and Randy Clarke, Assistant General Manager for Engineering and Maintenance also discussed where the state of good repair stands today at the MBTA.

Chairman Aiello asked Gerald Polcari, Chief Procurement Officer to discuss the Diesel Fuel Procurement and the fuel hedging program. Mr. Polcari said the MBTA used the same amount of diesel fuel every year for the commuter rail; it stays

the same and never changes. Earlier this year, Sprague Operating Resources was awarded a contract to supply diesel fuel to the MBTA; however a clerical error was identified by AL Prime Energy, another bidder, who filed a bid protest. The staff in the Procurement Department investigated and confirmed the error and resolved the protest in 24 hours, and is now recommending that AL Prime Energy be awarded the contract, not to exceed \$129,976,000.00, saving the MBTA \$360,500. On motion duly made and seconded, it was;

VOTED: That the General Manager be, and hereby is, authorized to execute in the name and on behalf of the Authority, and in a form approved by the General Counsel, a contract with AL Prime Energy Inc., of Saugus, MA, to supply Ultra Low Sulfur Diesel Fuel on an as needed basis for a two-year period, with two, one-year options, subject to price in effect at the time of delivery, at a total value not to exceed \$129,976,000.00; said company being the lowest responsive and responsible bidder in response to solicitation IFB 7-15.

Next Jonathan Davis, Chief Financial Officer for the MBTA, gave some background on the fuel hedging program.

After motion duly made and seconded,

By roll call:

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| Chair Aiello | yes |
| Director Poftak | yes |
| Director Lang | yes |
| Director Tibbits-Nutt | yes |

VOTED: To adjourn at 3:10pm.

DOCUMENTS RELIED ON IN THE MEETING

Chief Administrator Report
Commuter Rail Operations Revise Diesel Fuel Contract PowerPoint
Diesel Fuel Contract Award Staff Summary
State of Good Repair PowerPoint
Operating Budget Committee Update

