



## SAGINAW TRANSIT AUTHORITY REGIONAL SERVICES BOARD OF DIRECTORS REGULAR MEETING MINUTES

Monday – September 23, 2024  
STARS Board Room (615 Johnson St.)

12:00 PM

---

### CALL TO ORDER

*Ms. Kathy Miller called the meeting to order at 12:20 PM.*

### ROLL CALL

*Members Present: Ms. Kathy Miller, Mr. Floyd Kloc, Mr. Carl Ruth, Ms. Vickie Dillon, Ms. Evelyn McGovern, Ms. Diana Gutierrez, Mr. Michael Hanley, Mr. Jimmy Greene, Ms. Kristy Nelson*

*Absent: None*

### PUBLIC COMMENTS

*None*

### APPROVAL OF CONSENT AGENDA

*Ms. Miller requested the minutes be changed with the correct spelling for Rehmann. Mr. Kloc said after roll call the motions were incorrect. Mr. Green motioned to approve the consent agenda with the previously stated corrections. Mr. Ruth supported the motion. Motion carried.*

### STRATEGICE PRIORITIES & DISCUSSION ITEMS

#### *Finance Committee Update*

*Mr. Steffens presented a handout of the proposed draft Non-Union PTO Policy to the board. He explained that this amendment is to bleed out the PTO throughout the year rather than front load it at the beginning of the fiscal year. Mr. Steffens also mentioned that some legacy language that no longer applies has been removed from the draft policy. He suggested no other changes be made to the administrative staffs PTO policy at this time. Mr. Hanley moved to approve the changes to the Non-Union PTO Policy provided in the handout. Mr. Greene supported the motion. Motion carried unanimously.*

#### *Presentation on Budget & Grant Challenges*

*Ms. Amy Bidwell, CFO, and Mr. Glenn Steffens, Executive Director, shared a presentation on upcoming Budget & Grant Challenges, as well as information on an inappropriate grant that was drawn down previously. Mr. Steffens said STARS situation is very bad, that there are issues with grant drawdowns that he authorized earlier this year that were incorrectly drawn. Additionally, there are budget issues, and the financial statements are a mess at this time. Mr. Steffens suggested that with the help of STARS staff they will find their way through this. The presentation given by Ms. Bidwell gave detailed breakdowns of the subject at hand. Ms. Bidwell said that between May and July of 2024 around the sum of 1.12 million dollars of a combination of 5307 and 5339 federal funds were withdrawn from an FTA capitol roof project and were instead used to cover capitol assistance. Ms. Miller asked for a brief moment to review the numbers shown in the presentation. Ms. Bidwell said there was a critical safety issues with the roof, which is why we were considered for the roof replacement grant specifically designated for infrastructure improvements. Ms. Bidwell shared that in May, June, and July these funds were drawn down for operational expenses. She continued that the roof contract was awarded in August of 2024, and the roof work started in early September 2024. A payment schedule for this project was presented to the Board. Ms. Bidwell explained that in April of 2023 a budget was presented to the Board with operational expenses of around twelve*

million dollars, and revenues at a significantly lower amount. The board met again in June and August where revisions to this budget was proposed. Ms. Bidwell said then in September of 2024 the board voted to move and sign a resolution of intent with expenses at \$8,781,334.00 and combined federal, state, and local revenues at \$8,781,334.00. Mr. Kloc asked to clarify if the reduction in expenses was incorrect. Ms. Bidwell said yes. She catalogued all of STARS expenses for 2024 and found that there is a significant gap in the revenues projected versus what was received, as well as expenses being close to the April 2023 projections. Ms. Bidwell believes this shortfall is why the federal funding was drawn down inappropriately. She shared a breakdown of the most expensive operating expenses, the top three being payroll, healthcare, and insurance. The FTA has frozen our funds at this time, with the possibility of draw-down restrictions, and we are waiting to hear if they will allow us to use them in the future after we provide further information. Ms. Bidwell said we must repay the money that was incorrectly drawn down, and they must be paid with local dollars. Ms. Bidwell welcomes all board directions on this matter. Ms. Miller thanked Ms. Bidwell for the work she has put in since she has been here and said that Ms. Bidwell and Mr. Steffens have done an amazing job looking into solutions. Ms. Dillion said the board should have known better than to have allowed this. Ms. Miller said the monthly statements should have shown how dire the situation is, but they were inaccurate. Ms. Miller believes they will learn from these mistakes and learn best practices to get through this and ensure it does not happen again. Mr. Kloc asked if executive staff was able to pinpoint why these figures were off. Ms. Bidwell said from what she could tell the budget the past CFO, Ms. Lauren Pavlowski, proposed in April of 2023 were correct. The August 2023 presentation showed decreases in expenses which were unrealistic expectations. Ms. Dillon asked if the final amount and the presentation before it was based on actual figures. Ms. Bidwell said the presentation was used to help get to the number voted on in September 2023, and that she has found no other information to back this up at this time.

Mr. Mike Birchmeier from Rehmann briefly spoke about the Financial State of STARS, and how he and Ms. Amy Deeter are working to go through all of STARS financial statements and processes. He explained that the beginning funding balance did not agree with the audit report, so he has been aware from the start that adjustments need to be made. Mr. Birchmeier said they have created an entry to fix that. Mr. Birchmeier said all of our expenses have been recorded properly by staff in the general ledger, and the question is why have the financial statements not reflected the actual expenses and revenues. Mr. Birchmeier and Ms. Deeter are collaborating with staff to make any adjustments necessary. Ms. Miller asked for a breakdown in why these variances in our finances occurred. Mr. Birchmeier said they can put something together showing the variances that caused the financial statement issues. Ms. Gutierrez asked why the software has not picked this up. Mr. Birchmeier said traditionally before the final audit report they would make any adjustments and post them, so when you roll over to the new system year it matches up with the audit. He said one of the reasons this issue could have occurred could be because the audit was late, and once you get over six months into the new year you have to close the system to pay bills – he is not sure if that is the case here but that is a possibility. Mr. Steffens said that Mr. Birchmeier previously shared with him that some of the entries made were also estimates for things like payroll instead of actuals. Mr. Steffens asked if he could describe the status of our financial management and planning in layman terms. Mr. Birchmeier said it needs a lot of work, and we need to get to a point where any revenues and current or future costs are recorded in the financials. Ms. Dillon asked if they had audited STARS before. Ms. Miller said no we have a different auditor. Mr. Steffens said Rehmann was recruited in the past to help with STARS financials, and asked them to help make Ms. Lauren Pavlowski, the prior CFO's transition easier. Ms. Dillon said that we have been audited yearly, and was surprised this was not a finding until this year, as previous findings were fairly miniscule. Ms. Miller said they were not to this magnitude. Mr. Steffens suggested moving on in the interest of time.

Mr. Steffens asked for a five-minute recess at 12:59 PM to allow the members to further review the materials before further discussion. Mr. Kloc moved to adjourn for five minutes; Mr. Ruth supported the motion. The committee came back from this recess at 1:05 PM. Mr. Greene moved to come back from the recess, which was supported by Mr. Ruth. Motion carried.

Mr. Steffens stated that there are three key challenges he plans to address, being the grant problem, the roof problem, and the expenditures and revenues. He said he and Ms. Bidwell have been attacking this from different

ends. Mr. Steffens has been looking at what we do and has been concocting ways we can make more money or save money. Mr. Steffens shared his own presentation with the Board of directors. Mr. Steffens started with the grant draws saying they were incorrectly drawn down on capitol and spent on operations. Mr. Steffens said he authorized these draw downs and was mistaken in doing so. He was under the impression mistakenly that this was an administrative fix as the 5307 amendments to convert those to operations was moving through. The last time he had heard about those grants he was under the impression that this was an administrative clerical correction. Mr. Steffens explained that when Ms. Bidwell brought this to his attention he was confused, and was unaware of how much he did not understand was going on. He apologized for his oversight and his lack of understanding and took full responsibility for these grant draws. Mr. Steffens shared his deep regret for not being more diligent in monitoring what we were doing with our draws. Mr. Steffens said he was unaware at the time that the FTA instructed STARS staff to not make those draws. Ms. Dillon asked in the course of a specific question or in general. Mr. Steffens replied in the course of a specific question. Mr. Steffens said the total draws equaled 1.12 million dollars, and nothing has suggested to him that these were used on improper expenses, though they were used improperly per the grant requirements. Mr. Steffens said they have been in daily contact with the FTA and MDOT to find solutions. Mr. Steffens explained that this came about when Ms. Bidwell went to draw down the funds for the roof replacement project, and FTA shared that the money had already been spent. Mr. Steffens said FTA is still determining what funds we may access, whether our 5307, congressional directed spending, other grant projects can be used to repay this and resolve this situation. Mr. Steffens said the best scenario is that STARS locates that 1.12 million to repay the draws or agrees on a payment plan acceptable to FTA. As Ms. Bidwell mentioned, Mr. Steffens stated that we cannot use our other FTA revenue to pay back this capitol grant, and best-case scenario if they allow us to pay it back then we draw down the 1.12 million though there is no guarantee. Mr. Steffens said we will be on grant draw-down restrictions through FTA for now. Mr. Steffens shared that in the worst-case scenario either of the previously stated options are not allowed. He then addressed the roof project, saying that STARS found out about the improper grant draws after materials had already been purchased, work already started to be done on the roof, and we were already in for one third of the project per the contract with the vendor. Mr. Steffens said there was no way out of that, and that we have to move forward with the roof replacement. The contractor has allowed some grace, allowing a payment plan with three installments. Mr. Steffens shared options and scenarios; including abandoning the passenger panic button and camera project which was around 250k. This should cover the first installment for the roof and should help keep STARS from legal liabilities in not paying the vendor on time. Mr. Steffens shared that the budget errors are not yet understood by him or the accountants at Rehmann, and they are working towards understanding our situation fully. He wished they had more information so they could answer any questions. Mr. Steffens said they are creating strict department budgets and realistic limit, asking for increased director and board oversight of financial management, and implementing best practices. Ms. Bidwell and MDOT have identified MDOT grants available to be drawn down, Mr. Steffens said he should have been aware of these but was not. Mr. Steffens addressed the budget gap and shortfall, stating that Ms. Bidwell is conducting a forensic reconstruction of the budget, and suggests rebuilding this budget be the topic of the upcoming Board of Directors meetings using conservative worst-case estimates. He then shared revenue options such as increased subsidy with Blue Diamond for the Pigeon Express, increasing Rides to Wellness partner rates by five dollars per trip, reaching out to community partners such as SVSU to subsidize STARS for services we already provide them, looking at third party route redesign grant options from the state that could make our system more efficient, cutting memberships for things like MPTA and Partnershift, cutting radio ads and reducing our cdl training program, abandoning any unnecessary capitol projects, reducing overtime, and negotiating a one year hold with the union for any fringe benefits. Mr. Steffens said they have not renegotiated the contract with the union and are looking to extend it until at least November 30<sup>th</sup>. His goal is to extend the contract for a year, with additional changes given our situation. Mr. Steffens said that we disposed most of our old fleet vehicles already but are looking to dispose of any others, which would leave our fleet all within its useful life. Also cancelling any unnecessary contracts and services. Mr. Steffens said the last options would be operational cuts, one option including reducing eight positions. The next options would include consolidating lift and rides to wellness into one department and would eliminate nine positions and trying to get out of our newly renewed lease, or light route service changes as a course of business which would cut our 5 AM and 8 PM departures and the 5 PM departures on Saturdays while also consolidating routes. Another version of this could be consolidating routes two and four and one or two other routes which would

cut multiple positions as well. The last option could be cutting Saturday services and would cut five or six driver positions. Mr. Steffens said we need to be mindful moving forward and work together to find our way out of this terrible problem. Ms. Dillon asked if those savings proposed could be used to pay back the money we owe. Mr. Steffens explained that those would decrease costs rather than create new revenues, and that they should know more over the coming days once the budget is nailed down. Mr. Steffens also explained that it must be local revenues used to pay back the FTA. Ms. Dillon asked if the city has ever lent money to an organization to help in situations like this in the past. Mr. Steffens replied that he was reached out to the city and has reached out to anyone who owes STARS favors to see if we can find any opportunities for additional revenue. Mr. Kloc said there may be many negative changes that may happen or need to happen, and asked if there is a rough estimate of where we are in dollar needs for next year that we do not have right now. Mr. Steffens hopes we have that information available next meeting once we have a clearer picture of what is happening at STARS, so we can create a plan to move forward. Ms. Nelson said this is not going to be positive when it hits the general public, and asked how this will be shared with the public. Mr. Steffens proposed a public meeting for any of these major route changes, and that our biggest risk with the public would be in reducing any of their services. Ms. Nelson asked what they should say to the public after this information is public and questions arise. Ms. Miller asked Board members treat this respectfully, and they will have all of the information needed to answer any public questions within two weeks. Ms. Miller said they would be transparent with everyone. Ms. Nelson asked for a blanket statement to share, as the meeting is not private and non-board members are in the room and the media may get wind of this. Mr. Steffens suggests if the media reaches out to direct them to him, as per STARS policies he speaks for STARS. Ms. Miller said she has had a lot of time to process this and asks the board to refrain from talking to others about this until they receive all the facts. Mr. Steffens expressed his regret for putting STARS in this position, and said it was not his intent. Ms. Miller said they will be looking for accountability from Mr. Steffens and the staff. Mr. Hanley said the legislature should hear from Mr. Steffens. Mr. Steffens plans to meet with them tomorrow. Mr. Steffens addressed the staff in the room, saying he is deeply sorry we are in this place, and he will do everything he can to get us out of this as a stronger STARS. He continued that this is a hard lesson, and he is sorry. Mr. Steffens then asked for a moment of silence for one of STARS drivers who lost their son in a car accident over the weekend.

BOARD MEMBER COMMENTS

Mr. Greene asked for an email with anything he can review before the next meeting, and said a well-informed board is a stronger board. He asked for more information to continue coming to the members regularly.

Mr. Ruth said he is waiting for more information.

Mr. Kloc appreciated Mr. Steffens frankness and said we will work through this.

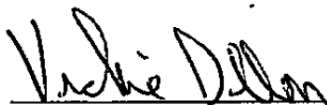
Ms. Nelson said she agrees and feels for the family of the driver who lost their son.

Ms. McGovern said she believes things will work out and we will be stronger afterward.

Mr. Hanley said mistakes happen, and he knows Mr. Steffens will do his best.

ADJOURNMENT

Ms. Miller adjourned the meeting at 1:35 PM.



Vickie Dillon, Secretary

Date: 10/28/24