



Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

SUMMARY OF THE MEETING OF THE WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY

October 20, 2009

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority ("SSA") held their regular monthly meeting at 9:30 a.m. on October 20, 2009 in the second floor meeting room of the SSA's Hyannis terminal, located at 141 School Street, Hyannis, Massachusetts. Four Board Members were in attendance: Chairman Robert L. O'Brien (Barnstable); Vice Chairman Marc N. Hanover (Martha's Vineyard); Secretary Robert S. Marshall (Falmouth); and H. Flint Ranney (Nantucket). John A. Tierney (New Bedford) was absent.

1. SSA Director of Engineering Carl R. Walker provided updated status reports on the SSA's current capital projects:
 - (a) Woods Hole Center Dolphin Project – Mr. Walker reported that the drawings for the project have been approved, and that all materials should be delivered between November 15 and November 20. However, in order to avoid service disruptions around the Thanksgiving holiday, the SSA is going to wait to start construction until after the Thanksgiving weekend. The project should then be completed before Christmas.
 - (b) Oak Bluffs Terminal Reconstruction Project – Mr. Walker reported that CRC Co., the contractor doing the pier work, has started demolishing the pier's existing pedestrian walkway and will be receiving the first shipment of piles this week. Nauset Construction Corp., the contractor reconstructing the terminal building, will begin demolition of the existing building in the next week or so. Work on the building was delayed due to the discovery of asbestos in the building's floor tiles, which needed to be abated before other work could begin.
 - (c) Hyannis Slip Modifications Project – Mr. Walker reported that AGM Marine Contractors has completed the demolition of the old dolphins and Slip #2, and already has driven 50% of the piles for the new dedicated fast ferry slip.

2. SSA General Counsel Steven M. Sayers then provided an update on the measures the SSA will be taking over the course of the next several years to improve the accessibility of all aspects of the SSA's operations. These measures will include, among other things:
 - (a) Replacing the existing passenger loading ramp systems at the Woods Hole, Vineyard Haven and Nantucket terminals, and modifying the gangways at all of the SSA's terminals, to reduce the slopes of those gangways at high tides.
 - (b) Increasing the height of the footings of both transfer bridges at the Nantucket terminal to reduce the slopes of those transfer bridges at high tides.
 - (c) Increasing signage and announcements at all of the SSA's terminals and on its four large passenger/vehicle ferries to inform passengers with disabilities that they can board or disembark those vessels by going over the transfer bridge and using the elevators on board the vessels.
 - (d) Painting pathways on the pavement of the SSA's terminals designating where passengers should go to board vessels by way of the transfer bridge, and attempting to reduce each transfer bridge's ridges to make it easier for passengers in wheelchairs to board and disembark without assistance.
 - (e) Installing automatic door openers for the doors of the Nantucket terminal building this coming off-season.
 - (f) Continuing to replace stair coverings on the SSA's vessels with new ones that have the edges of the stairs brightly colored in yellow for better visibility.
 - (g) Enhancing the SSA's reservations system by adding a field to its customer profile accounts that will allow customers to flag themselves as needing accommodations when traveling with their vehicles. Then, when each trip's vehicle manifest is reviewed at a terminal, the terminal employees who are checking in customers for a particular trip will know in advance that a customer will need accommodations on that trip.
 - (h) Updating the "Accessibility" page on the SSA's website to include more information for persons with disabilities about traveling with the SSA.
3. The Board also approved management's recommendation to establish a reduced passenger fare for individuals with disabilities on the SSA's high-speed passenger vessel. In order to receive the discounted fare, which is the same fare offered to children and resident senior citizens, an individual must first obtain a "Steamship Authority Transportation Access Pass," which is available by application to customers with disabilities. The Board also approved management's recommendation to offer 10-ride passenger ticket

books for individuals with disabilities when traveling on either the SSA's traditional ferries or its high-speed passenger vessel. Again, these 10-ride ticket books will be at the same discounted fare now offered to children and resident senior citizens and, in order to purchase them, a customer with a disability must first obtain a "Steamship Authority Transportation Access Pass."

4. The Board approved management's proposed Operating Budget for 2010, which has been revised somewhat since management presented the Board with their preliminary version last month. Specifically, SSA Treasurer/Comptroller Robert B. Davis noted that the revised budget is now based on twelve months of actual traffic figures from September 2008 through August 2009, that payroll expenses for the terminal and parking lot operations have been adjusted, and that provisions have been made to reflect the SSA's estimated post-employment health benefit obligations.

In 2010, the SSA's operating expenses are expected to increase by \$650,000 over management current estimate of the SSA's operating expenses for 2009, which represents an increase of around 0.8%. In particular:

- Wages are expected to increase by \$665,000 (or 2.3%).
- Health care and pension costs are expected to increase by \$1,100,000 (or 9.6%).
- Depreciation is expected to increase by \$130,000 (or 1.4%), principally due to the completion of the various phases of the Oak Bluffs Terminal Reconstruction Project.
- Vessel fuel oil expense is expected to increase by \$1,500,000 (or 25.9%) assuming that the price of vessel fuel next year averages \$2.57 per gallon. The SSA is currently paying \$2.22 per gallon for its vessel fuel and, due to the SSA's hedging program, the most the SSA effectively will have to pay for vessel fuel during 2010 is an average of \$2.97 per gallon. Therefore, if the average price of vessel fuel were to rise to \$2.97 per gallon next year, the SSA would be faced with an additional cost of around \$1,200,000.
- Maintenance is expected to drop by \$3,100,000 versus the 2009 estimate. A portion of this decrease is the result of the SSA's decision to accelerate repair work into 2009 which otherwise would have been performed in 2010. In addition, management expects that the SSA will have substantially lower vessel dry-dock expenses in 2010 than in 2009.

Currently, it is not anticipated that any rate increases will be needed to cover next year's estimated cost of service, even though operating revenues are expected to be \$150,000 lower than in 2009. In 2010, the SSA is expected to receive over \$6,400,000 in other income, which will primarily be grant revenue from federal stimulus funds (the American Recovery and Reinvestment Act) and the ferry boat discretionary program. Based upon

management's current estimate of revenues and expenses for 2010, the SSA's net income from operations is expected to be around \$3,300,000 once grant revenue is excluded, which will generate sufficient cash flow to meet the SSA's debt service requirements and make the appropriate transfers to the SSA's Replacement Fund.

5. The Board also authorized SSA General Manager Wayne C. Lamson to award the following contracts:

- (a) Contract #10-09, "Dry-dock and Overhaul Services for the M/V *Island Home*," was awarded to the lowest eligible and responsible bidder for the contract, Thames Shipyard and Repair Company of New London, Connecticut, for a total contract price of \$286,172. The *Island Home* is scheduled to be in the shipyard from mid-October until mid-November 2009 to undergo a required United States Coast Guard hull examination, machinery inspections and exterior painting.
- (b) Contract #12-09, "Building Repairs including Roof Replacement, Garage Door & Miscellaneous Repairs at the Palmer Avenue Bus Maintenance Facility," was awarded to the lowest eligible and responsible bidder for the contract, Belcour Corporation of Woonsocket, Rhode Island, for a total contract price of \$34,800. The contractor is scheduled to begin work immediately after the award of the contract and is expected to complete the repairs in four weeks.
- (c) Contract #13-09, "Supply and Deliver Two Hydraulic Lifting Cylinders," was awarded to the lowest eligible and responsible bidder for the contract, Supreme Integrated Technology, Inc. of St. Rose, Louisiana, for a total contract price of \$64,250. These two cylinders are being purchased for use as spares for the *Island Home*'s lift decks. This past summer, the seals on the lift decks' current cylinders developed some leaks. Although the SSA has not yet had to replace the cylinders, management concluded it would be prudent to purchase spare cylinders that can be used in the future when the current ones are eventually removed for repairs.
- (d) Contract #14-09, "Supply and Deliver Two ABS-Type Approved, EPA Tier II Ship Service Generators & Main Ships Service Switchboard," was awarded to the lowest eligible and responsible bidder for the contract, R.A. Mitchell Co., Inc. of New Bedford, Massachusetts, for a total contract price of \$149,525. These items will replace the current generators and switchboard on the *Sankaty*, which are nearly thirty years old and have been operating at maximum capacity due to the lighting, heating and mechanical loads that have been added to the vessel's electrical system as the result of the vessel's many modifications over the years.
- (e) Contract #15-09, "M/V Governor Propulsion Control Upgrade," was awarded to the lowest eligible and responsible bidder for the contract, Avtron Industrial Automation, Inc. of Independence, Ohio, for a total contract price of \$362,100. This upgrade will be installed beginning in February 2010, and the vessel is expected to be fully tested and operational by April 2010.

6. The Board began their discussion (which will continue at next month's Board meeting) of the recommendations that were made last month by the Quasi-Public Authority Compensation Review Commission. The Commission was established earlier this year by Governor Deval Patrick to review the appropriateness of compensation packages of senior managers at the state's various quasi-public agencies and authorities. Ultimately, after reviewing the materials submitted by the participating agencies (including the SSA) and comparing the compensation packages with the packages of other senior people in the non-profit and quasi-public world, the Commission concluded that, as a broad generalization, the packages were appropriate in today's economic climate. However, the Commission expressed concern that several compensation practices at certain agencies and authorities were inappropriate in the public sector context, such as providing senior managers guaranteed extended severance payments (potentially up to five years) in the event they are terminated without cause, providing senior managers with guaranteed raises and bonuses independent of performance reviews and economic conditions, and giving excessive payouts for accrued unused sick time (including one instance of more than 400 days) upon the termination of their employment.

For these reasons, the Commission has presented a series of recommendations that all quasi-public agencies and authorities have been asked to follow in order to eliminate such inappropriate compensation practices and to make the compensation system of each agency and authority more accountable and transparent. In addition, all of the quasi-public agencies and authorities have been asked to inform the Office of the Inspector General by mid-December 2009 of all actions they have taken in response to the Commission's recommendations.

Thankfully, as the Board observed today, the SSA's compensation practices and policies for non-union employees (including the General Manager and the other senior managers) are already consistent with most of the Commission's recommendations. Nevertheless, the Board agreed that it should respond to each of the recommendations as requested, and will review an initial draft of their proposed response next month.

At the conclusion of the meeting, the Board Members voted to go into executive session to discuss various matters appropriate for discussion in executive session, and they announced that they would not reconvene in public.

The next regular monthly meeting of the SSA's Board is currently scheduled for 9:30 a.m. on Tuesday, November 17, 2009, at a location still to be determined but anticipated to be in Woods Hole, Massachusetts. Of course, the date and time of that meeting are also subject to change, but its location (as well as its ultimately scheduled date and time) will be publicized in the notice for the meeting that will appear on this website next month. Thank you.