



## **Management / Financial Advisory Committee Hampton Roads Transit**

3400 Victoria Blvd., Hampton, VA, 23661, 2nd Floor Board Room  
Monday, September 25, 2017  
1:30 p.m.

### **MEETING MINUTES**

#### **Call to order**

Mr. Jenkins called the meeting to order at 1:31 PM

#### **Commissioners in attendance:**

Commissioner - DeProfio, Vice Chair, Hampton  
Commissioner Solis, Virginia Beach  
Commissioner Pittard, DRPT  
Lisa Cipriano, City of Newport News

#### **Committee members in attendance:**

Steve Jenkins-Chair, City of Chesapeake  
Susan Wilson, City of Portsmouth  
Lauren Kesselring, City of Norfolk  
Thelma Drake, City of Norfolk  
Miryam Woodson, City of Virginia Beach  
Jeffrey Raliski, City of Norfolk  
Alex Gottschalk, City of Virginia Beach  
Charles Porter Stevens, City of Hampton

#### **Hampton Roads Transit Staff in attendance:**

Debbie Ball, Assistant Director of Finance  
Angela Glass, Director of Budget and Financial Analysis  
Sylvia Shanahan, Director of Finance  
Brandon Singleton, Chief Finance Officer  
Margaret Denoncourt, Internal Auditor  
Brenda Green, Accounting Coordinator (recorder)  
Shanti Mullen, Auditor I  
Ray Amoruso, Chief Planning & Development Officer  
Robert Travers, Attorney  
Sibyl Pappas, Chief Engineering & Facilities Officer

#### **Others in attendance:**

Russell Ojers, SC&H  
Matthew Simons, SC&H  
Ryann Kohan, SC&H



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Tara Reel, City of Virginia Beach  
Constantinos Velissarios, City of Newport News  
Theresa Crosby, HRT Bus Operator

The August Management/Financial Advisory Committee package was distributed electronically to committee members and the media in advance of the meeting. The meeting package consisted of:

- Agenda
- August 2017 MFAC Meeting Minutes
- Financial Report
- Ridership Data Overview
- Route Ridership FY 14-17
- MFAC Member Budget Process Questionnaire

### Welcome

Mr. Steven Jenkins, Chair, Chesapeake, welcomed everyone to the meeting.

**ACTION ITEM:** Correction was noted to the MFAC JULY 2017 meeting minutes Committee Members in Attendance: Lauren K Kesselring, City of Norfolk, name was misspelled; Angela Glass, Director of Budget & Financial Analysis, name appeared twice and Thelma Drake, City of Norfolk, was not in attendance.

A motion to approve the August 2017 Management/Financial Advisory Committee minutes as amended was made and properly seconded.

The August 2017 minutes were approved by a unanimous vote.

**ACTION ITEM:** It has been requested that HRT give a time line for completion of the four (4) action items noted in the July 2017 MFAC Financial Report and the MFAC Legislative Update.

Mr. Singleton, Chief Financial Officer, stated that the first action item from the July 2017 MFAC meeting minutes has been addressed in the August 2017 Financial Report. However, due to upcoming scheduling constraints it is suggested that the committee consider a hold on any comments concerning action items until the next scheduled financial reports presentation. Mr. Singleton also stated additional time may be needed



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to address the remaining “action items”. The financial statement is an ongoing developmental process based on feedback and information received from the committee. However, the floor is open to recommendations from the committee on when these “action items” should be addressed.

Mr. Singleton stated that there will be some adjustments to the MFAC scheduling due to changes at the Commission’s request. These adjustments are as follows; October, November and December 2017 meetings will be scheduled for the second Monday of the month. There will be not be a financial report presentation in October. The September Financial Report will be presented in November 2017 and the October Financial Report will be presented December 2017. In January 2018 the November 2017 and December 2017 Financial Reports will be presented for the committee’s review.

**ACTION ITEM:** It was requested that the HRT track its action items as well as give a suggested time line of completion. In addition, it was requested that this information be emailed to the committee in lieu of waiting for the next scheduled MFAC meeting.

### **Service Planning**

Mr. Ray Amoruso, Chief Planning and Development Officer, presented the FY14 - FY18 System Ridership Report by Route and the FY17 Ridership Data Overview which was distributed to the committee members.

There was some discussion concerning the FY19 Transportation Service Plan (TSP) letters and proposed service plan changes given annually to the localities.

There was some discussion concerning the average number of riders using the Metro Area Express (MAX) Bus system.

There was some discussion concerning ridership trends on the MAX bus as it relates to naval and civilian contracts.

There was some discussion concerning the driving force behind the declining ridership trend on the Max routes.

There was some discussion concerning the declining age of HRT’s rolling stock and the effect upon service and reliability to the customer.



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There was some discussion concerning TRAFFIX van pool.

There was some discussion concerning the use of Uber services as it relates to the increase choice riders and independent riders.

Mr. Amoruso stated that the next level of service would be enhanced by the replacement of HRT's oldest buses and MAX buses 2007-08, 4000 series.

There was some discussion concerning grants from Department of Rail and Public Transportation (DRPT).

There was some discussion concerning HRT's proposal presented to the Commonwealth Transportation Board.

There was some discussion concerning the projected 10-year plan of the TSP.

This is the last year that the State will provide a 68% matched to capital funds for replacement of rolling stock. HRT's Capital Improvement Plan (CIP) does show the desire to take advantage of the State's 68% capital match funding and plans to replace twenty-five buses this fiscal year.

There was some discussion concerning the increase of the cities advance capital contribution.

Mr. Steven Pittard, DRPT, stated that there is no projected federal funding allocated for preventive maintenance of rolling stock in FY19. In addition, it's projected that there will be a significant decrease in the State's contributions. Mr. Pittard also mentioned that State funding contributions in FY19 are forecasted to be reduced to 28% resulting in an increase in funding contributions from the localities.

There was additional discussion concerning the state funding fiscal cliff.

There was some discussion concerning the state's revenue stream.

Mr. Amoruso stated that HRT has a fleet management plan which was recently presented to the Federal Transportation Administrations (FTA) regional office. This plan outlined and detailed HRT's current aged rolling stock and the replacement of forty vehicles.



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Mr. Pittard said that he would provide DPRT's projected funding for FY18, FY19 and FY 20 to the Finance Department.

Mr. Amoruso stated that HRT is projected to purchase 25 buses in FY18.

### **Finance/Budget**

Mr. Singleton presented the August FY17 Financial Report which was distributed to the committee members in advance.

Mr. Singleton requested that due to time constraints the committee members address questions and or comments regarding the August FY17 Financial Report via email.

There was some discussion concerning cost savings of controlled expenses such as contract services and materials & supplies.

There was some discussion concerning the changing practices of hiring manpower such as Virginia Beach's seasonal personnel operators.

There was some discussion concerning the adjustments of the FY18 service cost and revenue projections to recognize the increasing trend of the Paratransit rider.

There was some discussion concerning the different keystrokes, on the buses, which identify and capture the rider's fare type.

There was some discussion concerning the methodology of the subsidized cost and revenue for Paratransit recipients riding the bus system for free.

Ms. Lisa Cipriano, Newport News, asked if HRT has considered changing the no fare to a minimal fee for qualified Paratransit recipients who use the bus system. Due to the current gap in revenue?

Mr. Singleton stated that it was a wise business move to allow qualified Paratransit recipients the use of the bus system at no fee. Cost per rider is considerably less as compared to the paratransit service. This was a benefit to HRT and the localities as it relates to service and cost.



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Mr. Brian Solis, Virginia Beach, stated that since paratransit riders currently qualify for half fare, would it be more beneficial to charge the half fare fee and capture both ridership and revenue?

Mr. Singleton stated that the eligible paratransit rider for August 2017 was eleven thousand (11,000), and if they were required to pay, this would have resulted in a nominal amount of revenue. However, there would have been a much greater subsidized cost paid by the cities for these riders to have used the paratransit system. In addition Mr. Singleton expressed that most paratransit recipients are living on a low or fixed income and any increase in fare to these riders would result in undue hardship. So, by offering this level of service to qualified riders it assists the paratransit community, HRT, and the cities.

August 31, 2017, Light Rail recorded its largest ridership, sixty-one hundred (6100) on-boarders since 2012.

**ACTION ITEMS: It was requested that HRT present the draft of the financial audit to the MFAC prior to the December's financial presentation.**

There was some discussion concerning the change of the October 2017 MFAC meeting to a different date, October 9<sup>th</sup> is a state holiday. However, Mr. Jenkins voted to keep the October 9<sup>th</sup> date as previously scheduled.

A handout was provided to the MFAC members which included the following information:

HRT is required to submit certain data to the National Transit database(NTD) on an annual basis. While finalizing its most recent data submission, HRT determined that the total number of service hours submitted to NTD for FY16 and the total number of service hours used to determine the annual local contributions did not reconcile.

In order to determine the cause of the discrepancy, HRT performed a detailed analysis of all service inputs for FY16 and it was determined that the number of total service hours performed and reported to National Transit Database<sup>1</sup> for FY2016 were 4,073 less than the total number of hours billed to the six Member Cities. The discrepancy was due

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<sup>1</sup> The National Transit Database (NTD) is a depository of data maintained by the Federal Transit Administration. HRT is required to submit data to the NTD related to its financial, operating and asset conditions.



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to a data entry issue at the time. Data was taken from HRT's HASTUS system and manually entered in HRT's *HASTUS Hours and Miles-All Locations* excel spreadsheet.

Below is a table which identifies the impact per city.

City	2016	2016 Revised	Variance*
Chesapeake	(124,023)	(137,571)	(13,548)
Norfolk	(1,973,481)	(2,052,244)	(78,763)
Portsmouth	(38,652)	(54,943)	(16,291)
Virginia Beach	(1,572,465)	(1,361,086)	211,379
Hampton	(640,943)	(669,688)	(28,765)
Newport News	(1,004,627)	(1,050,837)	(46,210)

The amount due from or due to each locality will be addressed during the monthly financial reports to the MFAC and FY18 true-up process (June 2018).

**ACTION ITEM:** It was requested that HRT show the additional FY16 True-up due from/due to as a separate amount on the financial statement and not part of the aggregate cost.

**ACTION ITEM:** What measures have been put into place to ensure that the FY17 and FY18 annual NTD calculations are correct?

Mr. Singleton stated that HRT's 70 routes are calculated manually and submitted to NTD annually. Other transit agencies use of an automated system for NTD calculations and reporting, but HRT lacks this software capability. HRT decided to implement some changes to this process by moving it to a different department allowing better clarity and fresh eyes on the data reporting process. Mr. Singleton stated HRT would like to add some level of automation to the NTD reporting process, properly capturing and reporting data, and removing human error. However, the desire for an automated system doesn't override HRT's immediate need for replacement of its aging rolling stock. HRT acknowledges the importance of accurate reporting to the NTD and the need for such software in its six-year Capital Improvement Plan (CIP). Nevertheless, based upon the scoring process this software does not rise to the top of HRT's current priorities. In addition to the NTD software needs, HRT has many processes that are manual in nature, but these also take a backseat as it relates to funding dollars as the focus remains on



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buses. The primary use of flexed federal funding and capital dollars are allocated to rolling stock. Conversely, areas that need more efficiency such as, technology and facilities are lacking funds and do not qualify for the use of capital dollars. These critical areas of need are primarily funded by federal funding and local contributions only.

**ACTION ITEM:** It was requested that HRT provide a list of the FY17 capital dollars that were flexed into operating funds. In addition, it was requested that HRT detail how the FY17 capital dollars were originally budgeted and how those funds were eventually utilized

**ACTION ITEM:** It was requested that HRT provide a detailed explanation of the revised FY16 true-up in lieu of these recent findings.

**ACTION ITEM.** In the June 17 Financial Statement HRT provided its final estimate of the FY17 true-up, will there be a departure from those calculations?

There was some discussion concerning HRT's lack of funding mechanisms.

There was some discussion concerning the reporting of the FY16 true-up.

There was some discussion concerning a budget amendment.

Mr. Singleton stated that one of the purposes of MFAC was to relay any changes that impact any adjustment to the budget or capital programs.

**ACTION ITEMS:** It was suggested that moving forward HRT should communicate and address matters of concerns immediately to the MFAC members, Commissioners, or the City Managers. This will allow the localities to be aware of areas of concern prior to the next scheduled meeting.

There was some discussion concerning HRT's transparency.

There was some discussion concerning the external auditors' methodology.

Mr. Singleton stated that HRT was made aware of the FY16 NTD service hours discrepancy in March 2017.

There was some discussion concerning the reviewing, calculations, and reporting of additional service hours.





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Mr. Brian DeProfio, Hampton, stated that during the annual financial audit additional areas of concerns could be explored by the contracted auditors.

There was some discussion concerning the FY15 NTD internal audit report, its findings, and recommendations.

There was some discussion concerning process changes to the NTD reporting.

There was some discussion concerning the NTD counts being reported monthly.

**ACTION ITEM:** It was suggested that the cities be given payment options concerning the recent FY16 NTD findings.

Mr. Jenkins suggested that HRT combine the FY16 changes and FY17 true -up be invoiced as one total.

There was some discussion concerning payment options of the FY16 changes. The MFAC members would like additional time to discuss payment matters with their individual city's managers.

**ACTION ITEM:** Mr. Pittard recommended that in lieu of the recent discussion concerning the possible payment changes from the cities for the revised FY16 true-up, that the last line in Mr. Singleton's handout given to the MFAC should reflect said changes.

**ACTION ITEM:** Mr. Rasliski, City of Norfolk, asked that consideration of the additional findings unearned income in the FY16 Financial Audit, "Why has HRT decided not to show these findings and note these corrections by reissuing the FY16 Financial Audit Report?"

There was some discussion concerning properly tracking true-up amounts in lieu of additional findings.

**ACTIONS ITEMS:** it was suggested that a footnote be added to the FY17 Financial Audit Report reflecting the amount of the "due from" or "due for" per locality, as it relates to the FY16 NTD change.

**ACTION ITEM;** Mr. Singleton stated that he will email a copy of the memo that he handed out to the MFAC members during the September 2017 MFAC meeting. This handout will



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contain a less, if not, adjusted sentences in respect to changes suggested/discussed during this meeting.

### **SC&H Financial Management Review MFAC Committee Update**

Mr. Simons, Mr. Ojers, and Mr. Kohan of SC&H presented a summary of their preliminary work to date.

Mr. Ojers stated that SC&H will have final results and recommendations of the FMO to the MFAC committee members at the October 2017 meeting.

There was some discussion concerning extra boards and operators over time.

There was some discussion concerning operators as it relates to military background checks.

There was some discussion concerning the Union agreement.

There was some discussion concerning the “None Base Access” customer component as it relates to HRT riders. Because riders are not allowed access to the military base, routes that require the bus to enter a military facility must do so without military riders.

There was some discussion concerning the Union’s leverage as it relates to the Department of Labor processing federal grants.

There was some discussion concerning SC&H’s analysis of the Union’s contact.

**ACTION ITEM:** Mr. Solis, asked HRT to provide a list of items that are currently being considered in negotiations with the Union’s upcoming contract agreement. In addition, it was asked if these negotiated items of concern include; operators obtaining military base access with federal background checks or operators maintaining their positions while trying to be recertified for their Commercial Driver’s License (CDL) license, etc. And how much impact do these items carry during these negotiations?

There was some discussion concerning the senior and junior level operators overtime as it relates the current union contract agreement.



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There was some discussion concerning the route changes as it relates to the current union contract.

Ms. Lisa Cipriano, Newport News, stated that HRT should continue to hire operators in accordance with company standards. Those who qualify for federal clearance be offered supplemental compensation and work routes that are solely cover federal installations. Due to the shortage of transit operators this process would increase the hiring pool of qualified operations, as well as, maintain those viable drivers whose background checks allow them to gain access to the federal installation.

There was some discussion concerning the Union's contract agreement as it relates to strikes and lockouts.

Ms. Thelma Drake, Norfolk, asked if HRT had explored the circulated routes which operate directly inside the military bases installations?

There was discussion concerning the Tide proposed extensions to Norfolk Naval Base.

### **MFAC Member Budget Process Questionnaire.**

Ms. Margaret Denoncourt, Internal Audit, requested that the MFAC member provide input for the questionnaire that was included in the MFAC packaged emailed to the members in advance.

Ms. Denoncourt asked that the members fill out the questionnaires and return them on or prior to October 6, 2017

### **Other Business**

### **Adjournment**

The meeting was adjourned at 4:01