



## Management / Financial Advisory Committee Hampton Roads Transit

Monday, October 22, 2018 • 1:30 p.m.

2nd Floor Board Room • 509 E 18<sup>th</sup> Street, Norfolk, VA 23504

### MEETING MINUTES

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

Lauren DiEugenio, City of Norfolk  
Amy Inman, City of Norfolk  
Brian Solis, City of Virginia Beach  
Alex Gottschalk, City of Virginia Beach  
Constantinos Velissarios, City of Newport News  
Lisa Cipriano, City of Newport News  
Sheila McAllister, City of Newport News  
Angela Hopkins, City of Newport News  
Carl Jackson, City of Portsmouth  
Miryam Woodson, City of Virginia Beach  
Steve Pittard, Department of Rail and Public Transportation (DRPT)  
Brian DeProfio, City of Hampton

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

Sylvia Shanahan, Director of Finance  
Brenda Green, Accounting Coordinator  
Ashely Johnson, Budget Analyst III (recorder)  
Debbie Ball, Assistant Director of Finance  
Keisha Branch, Grants Administration and DBE Officer  
Margaret Denoncourt, Internal Auditor  
Conner Burns, Chief Financial Officer  
Brandon Singleton, Assistant Director of Budget and Financial Analysis  
Angela Glass, Director of Budget and Financial Analysis  
Gene Cavasos, Director of Marketing and Communications  
Joe Dillard, Government Relations Liaison  
Tom Holden, Media Relations Specialist  
Shanti Mullen, Auditor I  
Brian Smith, Chief of Staff  
Ray Amoruso, Chief Planning and Development Officer  
Robert Travers, Attorney  
Alesia Cain, Chief Information Officer/Chief Technology Officer  
Sibyl Pappas, Chief Engineering and Facilities Officer  
Kim Ackerman, Chief Human Resources Officer  
Sheri Dixon, Manager of Revenue Services  
Sonya Luther, Director of Procurement



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

Monday, October 22, 2018 • 1:30 p.m.

2nd Floor Board Room • 509 E 18<sup>th</sup> Street, Norfolk, VA 23504

### **Others in attendance:**

### **Call to order**

Brian DeProfio, City of Hampton, called the meeting to order at 1:34 pm.

The October 2018 Management/Financial Advisory Committee (MFAC) package was distributed electronically to committee members in advance of the meeting. The meeting package consisted of:

- Agenda
- September 2018 MFAC Meeting Minutes
- September 2018 Financial Statement
- Route Ridership FY14 – FY18 for all Routes

### **Welcome**

Mr. DeProfio welcomed everyone to the meeting.

The September meeting minutes were approved.

### **September 2018 Financial Report**

Conner Burns, Chief Financial Officer, welcomed everyone to the meeting.

Mr. Burns presented the September 2018 Financial Report.

Lisa Cipriano, City of Newport News, asked how revenues are booked for media fare from vendors? Is the revenue booked at the point of sale or when the passenger actually uses the pass?

- Mr. Burns responded that revenue is booked at the point of sale.

There was some additional discussion on bulk sales of media fare.



## Management / Financial Advisory Committee Hampton Roads Transit

Monday, October 22, 2018 • 1:30 p.m.  
2nd Floor Board Room • 509 E 18<sup>th</sup> Street, Norfolk, VA 23504

Ms. Cipriano asked about the status of Utilities and Material & Supplies accounts on the expenditure side?

- Mr. Burns explained that one particular reason that relates specifically to the City of Norfolk and the light rail is the amount that was budgeted for propulsion power electricity was \$28,750 and has been lower in the past several years, however it went up to \$31,670 this month.

Mr. DeProfio asked if certain contracts have not been paid yet under Contract Services.

- Mr. Burns stated that was correct and the budget was built accordingly.

Mr. Burns gave a brief explanation on why projections were not included the presentation for the month of September. For the month of November, the financials will not be available due to the timing of the next MFAC meeting, however staff will work on developing projections.

Mr. DeProfio asked for some guidance to help understand how the local farebox revenue on the locality reconciliation compares to passenger revenue from the financial statements.

- Mr. Burns referred to the crosswalk and explained that farebox revenue from ERC and MAX routes contributes to the total passenger revenue on the financial statements.

There was some discussion on the impact of Hurricane Florence.

There was some discussion on revenues and if HRT is still anticipating a revenue surplus.

### **DRPT FMO Review and Update:**

Mr. DeProfio commented there were a number of recommendations that came out of the report and some of the responses were different than the observation and MFAC would like to reconcile that.

Steve Pittard, DPRT, gave a summary of the DRPT FMO review. He informed MFAC this was a very limited review. Overall, what the report drives at is there is a funding problem, particularly with capital assets.

The current funding model renders HRT to a hired contractor for each of the individual localities. To solve that funding problem, there needs to be a discussion on, do you want to continue that model, or should HRT have more autonomy. The cities would still be in



## Management / Financial Advisory Committee Hampton Roads Transit

Monday, October 22, 2018 • 1:30 p.m.

2nd Floor Board Room • 509 E 18<sup>th</sup> Street, Norfolk, VA 23504

control, but instead of focusing on the detail that MFAC currently looks at, focus on the type of service and quality of service for each city. At a very high level, MFAC may not be able to make those decisions but could bring the information back to their respective localities/commissioners for further consideration.

Mr. Pittard continued to discuss several of the challenges and opportunities from the report:

- There is a need for dedicated funding.
- Federal Formula 5307 funds (5307) are being used for preventive maintenance cost in the operating budget. While this is common practice with transit agencies, HRT is using a higher percentage than most other transit agencies. Doing so subsidizes what the localities pay for on-the-street operations. Using 5307 for operations ties directly to the capital assets funding. The more 5307 used for preventive maintenance, the less available for capital acquisitions.
- HRT has a \$17 million Line of Credit (LOC) that is being used for working capital. Eliminating the LOC and associated interest cost would allow for better financial management.

HRT has a good capital needs plan (CIP), but there needs to be a better financial plan. Availability of federal and state funds drive the capital expenditures versus what are the real needs. Financing should be determined after all needs are identified. There was some discussion on dedicated funding.

Ms. Cipriano asked for a discussion on the relationship between the Line of Credit, Advanced Capital Contribution and the Capital Improvement Plan be added to the agenda for next month.

There was some additional discussion on the Capital Improvement Plan.

Mr. DeProfio stated that the next step would be for HRT to review the items and provide a status update. Mr. DeProfio requested to possibly have an update at the next meeting.

### **Update on the additional State Operating Assistance:**



## Management / Financial Advisory Committee Hampton Roads Transit

Monday, October 22, 2018 • 1:30 p.m.

2nd Floor Board Room • 509 E 18<sup>th</sup> Street, Norfolk, VA 23504

Mr. Burns gave a summary and impact of each option. He also stated that if we are going to reduce the locality invoices by the additional state funding, this will impact the reconciliation at year end. He stated that the decision we make today should be the pattern going forward. For example, if the State reduces the funding in a future year, HRT would, in turn, affect the localities by the reduction.

Ms. Cipriano stated that to give the additional funding back to the localities, it would take a formal recommendation from MFAC to the Commission to vote on the matter.

Lauren DiEugenio, City of Norfolk, asked if the Commission were to vote for the additional funding to be returned to the localities, there wouldn't be a check written back, it would just be one month at a time?

- Mr. Burns stated that was correct because of the manner in which HRT receives the funding (monthly installments).

There was some additional discussion on how the funds being returned would just lower each of the locality's quarterly payments.

There was some additional discussion on how the additional funding will be applied if it is not returned to the localities.

Virginia Beach and Portsmouth opt for Option 1

Mr. DeProfio stated he would contact the City of Chesapeake and verify if they still opt for Option 1.

Norfolk, Newport News, and Hampton opt for Option 3.

### **TSP Recommendation:**

There was some discussion on the TSP meetings that have been set up with each locality.

Alex Gottschalk, City of Virginia Beach, asked if the dates listed in the timeline would be permanent dates or would this timeline be readdressed each year.

There was some discussion on the dates and how the schedule of the new timeline should be laid out.



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

Monday, October 22, 2018 • 1:30 p.m.

2nd Floor Board Room • 509 E 18<sup>th</sup> Street, Norfolk, VA 23504

Robert Travers, HRT Attorney, stated that whatever schedule is agreed upon needs to be memorialized in writing. A resolution would be fine.

Mr. DeProfio stated that the committee can report out on the dates that have essentially set for this year.

### **Other Business**

Brian Smith shared a brief presentation and summary on the TSDAC and the upcoming Regional Transit Transformation Project survey

### **Review of Action Items:**

1. Work on projections for the next meeting.
2. HRT staff review and provide an update on where HRT is with the items identified on the DRPT FMO findings.
3. Verify Chesapeake's vote on the additional State Operating Assistance has not changed.
4. Discussion on the relationship between the Line of Credit, Advanced Capital Contribution and the Capital Improvement Plan.

### **Adjournment**

The meeting was adjourned at 3:29 p.m.