



Meeting of the Audit & Budget Review Committee of Hampton Roads

Monday, July 2021, • 10:00 a.m.
509 E. 18th Street, Norfolk, VA

Hybrid In Person Zoom Tele/Video Conference

MEETING MINUTES

Call to Order

Jimmy Gray, Chair – City of Hampton, welcomed everyone and called the meeting to order at 10:07 am.

Attendance was taken for the meeting.

Commissioners in attendance In-person:

Commissioner Gray, City of Hampton-Chair
Commissioner Hunter, City of Portsmouth
Commissioner Woodbury, City of Newport News

Commissioners in attendance virtual:

Commissioner McClellan, City of Norfolk- TDCHR-Chair

Alternate Commissioners in attendance In-person:

Commissioner Cipriano, City of Newport News

Alternate Commissioners in attendance virtual:

Commissioner, Velissarios, City of Newport News

Hampton Roads Transit Staff In-person:

William Harrell, President and Chief Executive Officer
Conner Burns, Chief Financial Officer
Angela Glass, Director of Budget and Financial Analysis
Sibyl Pappas, Chief Engineering and Facilities Officer
Brian Smith, Deputy Chief Executive Officer
Sheri Dixon, Director of Revenue Services
Debbie Ball, Director of Finance
Larry Kirk, Assistance Director of Finance



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Brenda Green, Accounting Coordinator (recorder)
Robert Travers, Attorney
Sonya Luther, Director of Procurement
Gene Cavazos, Director of Marketing and Communications
Kim Wolcott, Chief Human Resources Officer
Ray Amoruso, Chief Planning and Development Officer
John Powell, Telecommunications Specialist

Hampton Roads Transit Staff virtual:

Ashely Johnson, Capital Budget Analyst III
Michele Good-Bacon, Contract Administrator
Juanita Davis, Budget Analyst III
Keshia Branch, Director of Office of Program and Project Excellence
Shanti Mullen, Internal Auditor
Misty Allen, Risk Manager
Jim Price, Chief Transit Operations Officer
Adrian Tate, Finance Manager

Others in attendance:

Jeff Raliski, Hampton Roads Transportations Planning Organization (HRTPO)
Krista Edoff, Cherry Bekaert, LLP

Call to Order

Commissioner Gray called the meeting of the Audit & Budget Review Committee (ABRC) to order at 10:07 am.

The July 2021 Audit & Budget Review Committee meeting package was posted to HRT's website and distributed electronically to the ABRC members and Commissioners in advance of the meeting. The meeting package consisted of:

- Meeting Agenda
- ABRC June 2021 Meeting Minutes
- June 2021 FY22 Financial Report



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Approval of June 2021 ABRC Meeting Minutes:

A motion to approve the June 2021 Audit & Budget Review Committee (ABRC) meeting minutes was made and properly seconded. The June 2021 minutes were approved by unanimous vote.

FY 2022 June 2021 Financials

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

The June financials, including the operating financial statement, non-operating COVID revenue/expenses, farebox revenue/expenses, locality crosswalk and locality reconciliation, were presented in detail by Mr. Burns to the Committee. Mr. Burns mentioned that additional rows have been added that separate the traditional 5307 preventive maintenance monies from the CARES preventive maintenance money. Mr. Burns stressed that CARES funding is 5307 operating money, citing *United States Code 49, chapter § 5307, Urbanized area formula grants*.

Mr. Burns stated that page two (2) represents the statement of operations without specific COVID revenue and expenses, and page three (3) represents the COVID expenditures separately. Mr. Burns also pointed out that the local funding does include the carry forward recordation offset and that the locality crosswalk excludes the COVID19 revenue and expenses. The Locality Reconciliation is the Cost Allocation Agreement (CAA). It reflects the federal aid and the actual CARES Act funding allocated for each locality. The Locality Service Reliability Plan credits of \$896,000 are reflected on this month's financial report.

There were discussions concerning the Reliability Service Plan as it relates to the upward trending of the fare-box revenue.

There were discussions concerning HRT's projected date of return to full service. William Harrell, President and Chief Executive Officer, stated that currently HRT does not have a definitive date of return to regular services/frequencies. HRT is tracking the service progress and the current trend of customers, who are showing interest in the use of our services, in hopes that an increase in service use will trend upwardly. In addition, HRT has completed contract negotiation with the union, and is hopeful that the new added incentives will attract additional operators. Kim Wolcott, Chief Human Resources Officer, stated that currently, HRT has 402 operators, however 482 are needed to return to regular service. Mr. Ray Amoruso, Chief Planning and Development Officer, stated that out of the 402 operators 397 are needed just to run the Reliability Service Plan.



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Federal Funding FY2020 and FY2021 - Breakdown

Debbie Ball, Director of Finance, presented a breakdown of the FY2020 and FY2021 Federal Funding sources received by the Agency, and how the funds are being allocated. The shortfall in passenger revenue, the use of state emergency aid to cover passenger revenue shortfalls, and the distribution of traditional federal aid as well as the federal CARES Act funding used to cover net expenditures were reviewed. Ms. Ball also outlined how the localities end of the year true-up refund was affected by these federal funding sources.

There were discussions concerning the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) and the American Rescue Plan Act of 2021 (ARP) as it relates to additional funding sources. HRT is currently in the process of programming CRRSAA funding. Mr Harrell stated that HRT will present its recommendation and provide a study for the use of the CRRSAA funding to the Transportation District Commission of Hampton Roads (TDCHR) Board Members forthcoming. Mr Harrell stated that HRT would like to continue its strategic use for the CARES Act funding with CRRSAA. This strategy would allow HRT the ability to strategically allocate federal funds, by buffering the cost of lost revenues to the localities, as well as additional expenses related to the pandemic. Dr. Brian Smith, Deputy Chief Executive Officer gave an overview of the dollar amounts and uses of the two additional emergency funding sources: CRRSAA \$9.6 million for operating expenditures only, and \$53.9 million for the ARP.

There were discussions concerning the time frame in which HRT is to continue to pay the “attendance premium”. The “attendance premium” was reduced to \$2.25 per hour in accordance with 2021 Union Contract Agreement, effective July 1, 2021. Previously the attendance premium was \$3.00 per hour.

There were discussions concerning additional benefits and highlighted details outlined in the 2021 Union Contract Agreement.

FY 2020 Annual Audit Update

Krista Edoff, Senior Partner, Cherry Bekaert, LLP, gave a brief status of the audit. Ms. Edoff stated that during the prior month’s meeting she explained where HRT stood providing information to the Cherry Bekaert, LLP. The trial balance has since been received and is currently in the testing process. The auditing team is playing catch up



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since the receipt of the trial balance and additional requested information submitted by HRT. Ms. Edoff reviewed and expounded on the key auditing areas such as revenue, payroll, expenses, financials, inventory, capital assets, long-term debt, self-insurance, cash, and investments, outlining where HRT currently stands in the auditing process. The likely control deficiencies such as the system reporting limitations, timely reconciliations, inventory count reconciliation, project subledger, and disbursement subledger reconciliation were also explained to the Committee Members. Currently, Ms. Edoff stated that the auditing teams has all the supporting documents needed at this point from HRT. However, there will be some additional follow up questions and testing while the auditing team works through the auditing process.

There were discussions concerning the impact and the delay of this year's auditing timeline, and the effect it will have on next year's auditing process and timeline. HRT stated that the conversion, concerning the reporting from both PeopleSoft Financial and the new financial system, D365, was the cause of reporting delay. Moving forward the Agency doesn't anticipate any additional auditing financial systems anomalies for the upcoming auditing years.

Ms. Edoff stated that she anticipates the final audit to go before the TDCHR Board in September.

HRT Fare Policy Update

Sheri Dixon, Director of Revenue Services, presented a revision to the Fare Policy. Ms. Dixon expounded on the eight (8) policy components and general topics areas influenced by fares and the changes implemented. The principles, the methods, the type of service/mode, the type of fares, fare programs, fare media design, the new payment options, promotions, and the special events were presented to the Committee. Ms. Dixon also explained the Fare Policies' financial impact as it relates to the year-to-date ridership, year-to-date fare box revenue, and the year-to-date fare/ride. In addition, she reviewed the estimated financial impact of the local bus rate fare/ride, the local bus rate revenue, and the overall estimated financial impact of the Fare Policy. Mr. Amoruso presented an overview of the Metro Area Express (MAX) routes 960 and 961 and the operating characteristic of how these routes will be revised and classified as "Commuter Limited Stop Service" routes. Mr. Amoruso stated that the next steps would be the Title VI briefing and the proposed fare changes for the (MAX) routes 960 and 961 as well as the resolution of support for fare changes to the MAX 960 and 961 at the August 2021 Transportation District Commission of Hampton Roads (TDCHR) Board Meeting.



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Other Matters

Chairman Gray stated that the ABRC will begin to convene quarterly: October 25, 2021, January 24, 2022, and May 23, 2022. However, Commissioner Gray reserves the right to include an interim meeting to discuss the findings/conclusion/approval of FY2021 Financial Auditing Draft.

Adjournment

With no further business to discuss, the June 2021 Audit/Budget Review Committee meeting was adjourned at 11:44 am by Chairman Gray.