



Meeting of the Audit & Budget Review Committee of Hampton Roads

Monday, January 23, 2023, • 10:00 a.m.
2nd Floor Board Room, 3400 Victoria Blvd., Hampton, 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 10:01 am.

Attendance was taken for the meeting.

Commissioners in attendance In-person:

Commissioner Gray, Chair - City of Hampton

Commissioners in attendance virtual:

Commissioner White, City of Hampton
Commissioner Carey City of Chesapeake

Alternate Commissioners in attendance In-person:

Commissioner Velissarios, City of Newport News

Alternate Commissioners in attendance virtual:

Commissioner Eisenberger, City Chesapeake
Commissioner Stevenson, City of Norfolk

Hampton Roads Transit Staff In-person:

William Harrell, President and Chief Executive Officer
Conner Burns, Chief Financial Officer
Michael Price, Chief Information Office/Chief Technology Officer
Robert Travers, Attorney
Angela Glass, Director of Budget and Financial Analysis
Donna Brumbaugh, Director of Finance
Brenda Green, Accounting Coordinator (recorder)
John Powell, Telecommunications Specialist



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Ray Amoruso, Chief Planning and Development Office
Adrian Tate, Assistance Director of Finance
Malika Blume, Director of Internal Audit
Kim Wolcott, Chief Human Resources Officer

Hampton Roads Transit Staff virtual:

Antionette White, Assistant Director of Service Planning and Scheduling
Mindy Sweeney, Staff Accountant
April Edwards, Senior Executive Assistant
Dawn Sciortino, Chief Safety Officer
Sherri Dawson, Director of Transit Development

Others in attendance:

Jeff Raliski, Hampton Roads Transportations Planning Organization (HRTPO)
Danielle Nikolaisen, Brown Edwards & Company
Leslie Roberts, Brown Edwards & Company

Call to Order

The January 2023 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
- Meeting Minutes for May 23, 2022
- Meeting Minutes for October 24, 2022
- November 22 FY23 Financial Report
- December 22 FY23 Financial Report
- FY24 Draft Operating Budget & Transportation Service Plan (TSP)

Additional presentation distributed to the ABRC members after today's meeting.

- Route Ridership FY19-FY23 All Routes



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Approval of May 23, 2022, and October 24, 2022, ABRC Meeting Minutes:

The January 23, 2023, ABRC was unable to vote on the approval of the May 23, 2022, and the October 24, 2022, meeting minutes due to the lack of a quorum.

Jimmy Gray, Chair – City of Hampton announced that due to time restraints of HRT’s visiting Auditors from Brown Edwards & Company, he will start with “Old Business” first. This included updates on the FY2021 and FY2022 Financial Audits.

FY2021 and FY2022 Financial Audit Status Update

Mr. Burns introduced Danielle Nikolaisen and Christine Turner of Brown Edwards to the ABRC Members and attendees. Ms. Nikolaisen presented the updated status of the FY21/FY22 financial audit which was last presented and reviewed at the ABRC meeting on October 24, 2022. A status update of the financial audit’s reconciliation including the federal and state grant activities, specific revenues, receivables, and unearned amounts were also presented. Ms. Nikolaisen stated that the pending reconciliations, as they relate to the federal and state revenues, are still being reviewed by management staff and the audit’s uniform guidance results are pending the outcome of that review. It was also reported that the FY21 National Transit Database (NTD) audit was completed, however management is still working towards the completion of FY22’s NTD. Ms. Nikolaisen stated that the federal and state grant activities specific to revenues and unearned reconciled amounts were largely completed with the exception of a few entries and minor open items that are still being processed by HRT’s management. These open items are also pending discussion with the audit team. As it relates to the audit status and the testing of a “single audit”, the auditing team is reporting that there are additional minor open and pending missing items that are need follow-ups and these items cannot be finalized until the grant activity reconciliation concerning these open items are addressed. Currently the auditing team states that there is no indication that Brown Edwards will not be able to issue an unmodified opinion concerning the basic financial statements auditing results and uniform guidance. However, there were some reports analyzing control deficiencies which were related to reconciliation and adjustments associated with some internal control issues. While conducting the audit the auditing team has reported the following findings, as it relates to the audit communications issued. Brown Edwards reported difficulties in processing the audit due to system issues, there were no reported communication disagreements with management, but management assistance was needed with recording pension and Other Postemployment Benefits (OPEB) entries, there were reported problems with material entities and capital asset balances which were related



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to the prior year's error in the system transiting, and there were no reported additional consultation or communications concerns with other outside accounting firms. Ms. Nikolaisen also stated that there were no reported changes in the accounting standards and policies and that Brown Edwards is confident that the FY21 Financial Audit will be completed soon and will be presented in its entirety at the April or May 2023 ABRC meeting. Brown Edwards confirms that the auditing team is prepared to roll into FY22's Financial Audit immediately upon the completion of FY21. HRT has confirmed that they are working internally to ensure that back up documentation, as it relates to the FY22 financials audits are being prepared and ready to move forward.

There were discussions concerning the auditing reporting systems issues, as it relates to the auditing team's ability to conduct the financial audit. HRT confirmed that the problem with the financial reporting systems last year was due to an unstable financial reporting platform, as it related to the project modules. Michael Price, Chief Information Office/Chief Technology Officer, stated after meeting with Microsoft, that he is confident that a solution will be addressed and fixed by April/May 2023. Mr. Price also stated that until the fix is in place, the Agency will implement a provisional script to alleviate any additional foreseeable reporting problems and software issues.

December 2022 FY 2023 Financials

Conner Burns, Chief Financial Officer, welcomed the Committee members and the attendees to the January 2023 ABRC meeting. Mr. Burns reminded the attendees that the November 22 FY2023 Financial Report was distributed in the January 2023 Committee Package for review purposes only. However, the Draft Financial Statement, ending December 30, 2022, was presented to the Committee Members and guests in attendance. The December 2022 financials included the operating financial statement, RTS financial statement, farebox revenue/expenses, consolidated crosswalk, and locality crosswalk. Mr. Burns presented the locality reconciliations, which reflect the estimated year-to-date Locality Service Reliability Plan credit for each of the cities. The Statement of Operations is structured to reflect the traditional operating budget without specific COVID spending. In addition, the Regional Transit System (RTS) expenses and operations are added to this statement. Page three addresses RTS specifically, whereas the non-operating revenue and specific spending related to COVID is \$92,677.00 and is reflected in the footnotes. The Agency's line of credit balance as of December 31, 2022, is \$1,365,142.52. The financial operating crosswalk reflects the Hampton Roads Regional Transit Funding (RTF) for the 757 Express 15-minute increment services. The year-to-date estimate of the locality Service Reliability Plan (SRP) credits were included in the



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budget status totals, as it relates to the financial crosswalk and each locality's reconciliations.

FY2024 Draft Budget & Transportation Service Plan (TSP)

Angela Glass, Director of Budget and Financial Analysis, presented a brief overview of the FY2024 Draft Budget & Transportation Service Plan (TSP) to the ABRC Members. The overview covers the FY2024 Budget Calendar, the FY2024 Draft Operating Budget, revenue assumptions and cost drivers. Ms. Glass also reviewed the FY2024 Draft Local Contributions and TSPs. The next steps of the FY2024 Budget Calendar were also reviewed starting from the Special MFAC meeting that will be held on January 9, 2023, to May 25, 2023, which is when the Transportation District Commission of Hampton Roads (TDCHR) Board Meeting for the FY2024 Final Operating Budget will be voted on and adopted.

Mr. Burns stated that after the localities have presented their final service changes that the Agency will be able to provide the preliminary draft budget that would be better aligned with a FY2024 TSP draft. The deadline for the Localities to make final service changes to their FY2024 TSPs is February 14, 2023.

Action Item: There were discussions concerning the “grocery tax” that was earmarked for transit and how it would impact the Agency’s FY24 capital budget, and will these funds be used to offset federal dollars? HRT stated that they will address this matter with the ABRC at a later date once some additional legislative information pertaining to this matter is made available.

There were discussions concerning the Union Employees’ \$3.50 per hour attendance premium. HRT was asked if the attendance premium program will continue into the next fiscal year and has it been forecasted in the FY2024 budget. HRT stated that the attendance premium began in July 2022, and was implemented as an incentive to help boost recruitment and retention efforts, as it relates to hiring and maintaining union employees. This program is earmarked to end June 30, 2023. However, due to the Agency’s current union employee’s shortage, HRT will continue the attendance program into 2024 and has implemented it as a budgetary line item that will be reflected in the FY2024 Draft Operating Budget.

There were discussions concerning the Agency’s current operator vacancy status. Kim Wolcott, Chief Human Resources Officer, stated that as of today, the Agency stands at 415 operators, which is an improvement over last year when the Agency stood at 384.



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Currently, the Agency has 43 full-time operator trainees, 18 part-timers and 3 part-time trainees. The Agency's current board is 426, which Ms. Wolcott states is an adequate number of operators to fill the current service board. However, an additional 86 operators are needed for the Agency to return to its regular full-service board.

There were discussions concerning the Agency's anticipated "roll out" timeline for the implementation of the additional Regional System Transit (RTS) routes on the Peninsula. HRT stated that the Senior Executive team will be meeting to discuss this matter and plans to bring forth a realistic and conservative forecasted plan of action concerning rolling out the additional RTS routes. The Agency will continue to keep the Committee Members abreast concerning these updates.

HRT implemented a 5.2 % operational budgetary increase in the FY2024 Draft Operating Budget to cover the cost of inflation. The Consumer Price Index for All Urban Consumers (CPI-U) reported an increase of 7.7% in October 2022.

There were discussions concerning HRT's forecasted strategy to aid the localities from the impact of a larger inflationary budgetary increase once the COVID related federal funds have been depleted. Currently, the Agency is using pandemic-related aid to strategically allocate funds to assist the localities related to their farebox recovery uncertainties. However, after the pandemic related funding has been depleted, HRT has the ability to strategically allocate traditional federal and state funding towards qualifying expenses to offset funding needs to aid the localities.

There were discussions concerning the status update of the new transfer station in the City of Chesapeake. Currently, an appropriate site has not been found, however the Agency is still actively seeking.

Adjournment

Chairman Gray stated that the next ABRC will be held on April 24, 2023.

With no further business to discuss, the January 23, 2023, ABRC Committee meeting was adjourned at 11:15 am.