



Meeting of the Audit & Budget Review Committee of Hampton Roads

Monday, May 22, 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 10:00 am.

Attendance was taken for the meeting.

Commissioners in attendance In-person:

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

Alternate Commissioners in attendance In-person:

Commissioner Velissarios, City of Newport News
Commissioner Cipriano, City of Newport News

Hampton Roads Transit Staff in in-person attendance:

William Harrell, President and Chief Executive Officer
Conner Burns, Chief Financial Officer
Robert Travers, Attorney
Angela Glass, Director of Budget and Financial Analysis
Donna Brumbaugh, Director of Finance
Brenda Green, Accounting Coordinator (recorder)
Sonya Luther, Director of Procurement
Kristy Lockhart, Management Analyst
Dawn Sciortino, Chief Safety Officer
James Lyons, Staff Accountant
Brian Smith, Deputy Chief Executive Officer
Amy Braziel, Director of Contracted Services and Operational Analytics
John Powell, Telecommunications Specialist
Ray Amoruso, Chief Planning and Development Officer
Adrian Tate, Assistance Director of Finance
Kim Wolcott, Chief Human Resources Officer



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Hampton Roads Transit Staff in virtual attendance:

Ashley Johnson, Assistant Director of Budget and Financial Analysis
Vanity Faulkner, Budget Analyst
Robert Lee, Regional Transit System Program Manager
Keshia Branch, Director of Capital Programs
Sibyl Pappas, Chief Engineering and Facilities Officer
Sophia Owen-Allen, Staff Auditor
Sheri Dixon, Director of Finance
Michael Price, Chief Information Office/Chief Technology Officer
Malika Blume, Director of Internal Audit

Others in attendance:

Jeff Raliski, Hampton Roads Transportations Planning Organization (HRTPO)
Hunter Anderson, City of Virginia Beach
Danielle Nikolaisen, Brown Edwards & Company
Leslie Roberts, Brown Edwards & Company
Christine Turner, Brown Edwards & Company

Call to Order

The May 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
- Meeting Minutes for January 23, 2023
- April 2023 FY23 Financial Report
- FY24 Final Operating Budget & Transportation Service Plan (TSP)
- Route Ridership FY19-FY23 All Routes

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

- Financial Audit Status Summary Update



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Approval of May 23, 2022, October 24, 2022, and January 23, 2023 ABRC Meeting Minutes:

Due to a lack of a quorum at the May 22, 2023 meeting, ABRC was not able to vote on the approval of the May 23, 2022, the October 24, 2022, and the January 23, 2023, meeting minutes.

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 Financial Audit status update.

Financial Audit Status Update

Mr. Burns introduced Leslie Turner, Danielle Nikolaisen, and Christine Turner of Brown Edwards to the ABRC Members and attendees. Ms. Turner presented the updated status of the FY21/FY22 financial audit, which was last presented and reviewed at the ABRC meeting on January 23, 2022. A status update of the financial audit included the progress since the January meeting and overview of the overall engagement status and the results. Currently, the audit team stated that there is no indication that Brown Edwards will not be able to issue an unmodified opinion concerning the basic financial statements audit results and uniform guidance. However, there were some reports analyzing control deficiencies related to reconciliation and adjustments associated with identified internal control issues. The audit team reported that there was no indication that they would not be able to issue an unmodified opinion, as it relates to the basic financial statements. It was noted that there were 2 material weaknesses in the financial reporting and grants activities related to internal control issues. Brown Edwards is confident that the FY21 Financial Audit will be completed soon and will be presented in its entirety by the end of June. Brown Edwards confirms that the audit team is prepared to begin FY22’s Financial Audit immediately upon the completion of FY21, as well as starting FY2023 in the fall. HRT states that its previous financial reporting systems error is currently 90% stable, exclusive of the grants module, which should not impact audit reporting for FY2022 and FY2023. In addition, the Agency has discussed this situation with the Federal Transportation Administration (FTA) and has implemented a process to collaboratively collect the data in accordance with their agreement with the FTA. However, the audit team has reported the following findings, as it relates to the audit communications issue. Brown Edwards reported difficulties in processing the audit due to system issues, there were no reported communication disagreements with management and no stated changes reported in accounting policies. In addition, there were some significant estimates findings, as it relates to the depreciable lives of the capital assets and



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determining the pension's Other Post-Employment Benefits (OPEB) OPEB, and insurance claim liabilities actuaries.

April 2023 FY 2023 Financials

Conner Burns, Chief Financial Officer, welcomed everyone to the meeting. Mr. Burns presented the Draft Financial Statement ending April 30, 2023 to the Committee Members. The April 2023 financials included the operating financial statement, RTS financial statement, farebox revenue/expenses, consolidated crosswalk, and locality crosswalk. Mr. Burns also 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. The non-operating revenue and specific spending related to COVID is \$97,651.00 and the Agency's line of credit balance as of May 17, 2023 was \$9,594,442.15 and is reflected in the footnotes. 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 budget status totals, as it relates to the financial crosswalk.

FY2024 Final Operating Budget & Transportation Service Plan (TSP)

Angela Glass, Director of Budget and Financial Analysis, presented a brief overview of the FY2024 Final Operating Budget & Transportation Service Plan (TSP) to the ABRC Members. The overview consisted of the budget calendar, final budget and local contributions and TSPs. Ms. Glass also reviewed the 3-year funding summary, revenue, and expenses, as it relates to the FY2024 Final Operating Budget.

There was discussion concerning the 10 allotments of new administrative, non-union positions allocated in the FY2024 Operating Budget. HRT stated that 8 of those positions were filled in FY2023 by promotion of existing personnel. These positions were created to help address and support the Agency's increasing business demands and responsibilities. However, the Agency still has a budgetary need, as it relates to the backfilling of the vacant positions created as a result of those promotions.

HRT respectfully requested the approval and the recommendation of adoption from the ABRC for the FY2024 Final Operating Budget & TSP to the Transportation District Commission of Hampton Roads (TDCHR) Board, for the May 25, 2023 meeting as a proposed adoption.



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Approval of the FY2024 Final Operating Budget & TSP

Due to the lack of a quorum, the ABRC was unable to officially vote on the approval and the recommendation of adoption of the FY2024 Final Operating Budget & TSP to the TDCHR Board, for the May 25, 2023 meeting. However, Jimmy Gray, Chair – City of Hampton, stated that when called to present his ABRC report to the full Commissioners Board, he would disclose that, based on the members in attendance, the consensus of approval and the recommendation for adoption of the FY2024 Final Budget was unanimous.

A motion to approve and recommend the FY2024 Final Operating Budget & TSP to the TDCHR Board, by way of consensus of the members in attendance was properly made.

The FY2024 Final Operating Budget & TSP motion was approved by unanimous vote.

There was discussion concerning the previous studies HRT researched, as it relates to the Rapid Bus Transit Project on the Peninsula. Ray Amoruso, Chief Planning and Development Officer stated that HRT recently received a federal environmental review clearance through the National Environmental Policy Act (NEPA) concerning this project. This clearance process was for the recommendation of rapid bus transit on Jefferson Avenue and Mercury Boulevard. Mr. Amoruso expressed that if both Newport News and Hampton's City Councils are interested in moving forward to the next phase of the project development, the Agency would need to clearly outline and communicate the process phases with each City's Manager. The previous cost and local share to match the federal dollars for this project for each city was estimated between \$48-\$62 million dollars. The full commitment from both cities is needed prior to proceeding with the application phase with the Federal Transportation Administration (FTA) for this project. The FTA would also require HRT to develop a financial plan that demonstrates the commitment by the non-federal partners. The Cities would also be required to commit to the rapid bus transit project by incorporating this project into their 6-year Capital Improvement Plans.

Action Item: HRT stated that the Agency would schedule a work session with both the City of Newport News and Hampton City Managers, as it relates to providing an overview and current findings of the Rapid Bus Transit Project.

Adjournment



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With no further business to discuss, the May 22, 2023, ABRC Committee meeting was adjourned at 11:08 am.