



HRT FY2026 Preliminary Operating Budget Follow-up Q&A – MFAC Meeting 4/21/2025

GENERAL AND FY 2026 ECONOMIC CONSIDERATIONS FOR BUDGET BUILD:

1. Please provide Actuals for FY 2022, FY 2023, and FY 2024 on the Preliminary Budget Proposal line-item detail. **See separate pdf file “FY2022-FY2024 Actuals Line-Item Detail”**

Follow-up: Explain the variance between the FY2024 Draft Actuals and FY2026 Preliminary Budget for Personnel Services, Services-Professional Fees, and Casualties & Liabilities.

Personnel Services:

CLASSIFICATION (\$ in thousands)	FY2022 AUDITED ACTUALS	FY2023 DRAFT ACTUALS	FY2024 DRAFT ACTUALS	FY2026 PRELIMINARY BUDGET	FY24 ACTUAL VS. FY26 BUDGET \$ VARIANCE	FY24 ACTUAL VS. FY26 BUDGET % VARIANCE
Personnel Services	\$ 69,796.9	\$ 72,538.0	\$ 80,008.9	\$ 91,733.3	\$ 11,724.4	14.7%

In the FY2025 YTD March financials, Personnel Services is trending under budget by \$.8M or 1.2% - this is not a significant budgetary savings. FY2025 fiscal year-end actuals are approximated to be between \$85.5M and \$86.5M, ending the year with a budget variance of less than 2%. Considering the projected actual increase from FY2024 to FY2025, we believe there is justification in adopting a \$92M personnel budget for FY2026 given the cost drivers previously reviewed with MFAC, Audit & Budget and Commission.

Services-Professional Fees:

CLASSIFICATION (\$ in thousands)	FY2022 AUDITED ACTUALS	FY2023 DRAFT ACTUALS	FY2024 DRAFT ACTUALS	FY2026 PRELIMINARY BUDGET	FY24 ACTUAL VS. FY26 BUDGET \$ VARIANCE	FY24 ACTUAL VS. FY26 BUDGET % VARIANCE
Services-Professional Fees	\$ 1,965.7	\$ 2,103.4	\$ 2,105.4	\$ 3,020.8	\$ 915.4	43.5%

Professional fees are projected between \$2.1M - \$2.5M for fiscal year end 2025. The variance between anticipated actuals in FY2025 and the FY2026 Preliminary budget may be accounted for by contract cost escalations in the areas of Technology, Safety & Risk, Planning & Development and Human Resources. *Note this variance explanation compares the difference between **FY2025 Projected Actuals** and **FY2026 Preliminary Budget**, not to be confused with the **FY2025 Budget vs FY2026 Budget** comparison previously reviewed with MFAC, Audit & Budget and Commission.*

Casualties & Liabilities:

CLASSIFICATION (\$ in thousands)	FY2022 AUDITED ACTUALS	FY2023 DRAFT ACTUALS	FY2024 DRAFT ACTUALS	FY2026 PRELIMINARY BUDGET	FY24 ACTUAL VS. FY26 BUDGET \$ VARIANCE	FY24 ACTUAL VS. FY26 BUDGET % VARIANCE
Casualties & Liabilities	\$ 4,163.7	\$ 4,270.1	\$ 5,265.2	\$ 6,279.2	\$ 1,014.0	19.3%

Using FY2024 Actuals of \$5.3M as a starting point, the FY2026 Preliminary Budget is a \$1M increase. FY2025 Projected Actuals land us somewhere between \$4.5M - \$5.5M. The fiscal year end actuarial report entry will affect this projection. There are multiple factors to consider when budgeting for Casualties & Liabilities:

- With the recent switch to a new company, reserve levels have changed i.e. there is an increase in the amount which must be held in reserve (driving the expense line to increase)
- There are a few large settlements pending (also impacting our legal fee expense) with estimates accrued for, but which may result in larger than expected settlements (impacting the expense line)
- Finally, depending on the year-end actuarial report, there could be a reduction or an increase in final expenses.

EXPENDITURE:

Personnel

- The FY 2026 Preliminary position count has a net increase of 4 FTEs, regardless of funding source.
 - What review was done to eliminate long-term vacant (vacant for 3 years or more) positions for a net zero sum position allotment change for HRT by shifting funding and position allotment to the higher priority position? **During the budget process, the amount budgeted for vacant positions is based on the average attrition rate for those positions. Funding is then allocated to the higher priority positions.**
 - Please provide a list of vacant positions and how long they have been vacant. At the City, this year our budget development process included the focused effort to reallocate long-term, difficult to fill positions to add staff capacity in areas of priority focus. This effort worked well (reallocating more than 50 positions) and maintained our total full-time headcount at the current fiscal year level with no diminution of the services or programs that are provided to our citizenry. **See the table below:**

HRT Non-Union Vacancies

Department	Position Title	# of Positions	Date of Vacancy
Engineering & Facilities	Project Manager	1	12/22/2024
Engineering & Facilities	Project Manager-SS Facility	1	12/22/2024
Engineering & Facilities -Transit Stop Tech	Transit Stop Field Supervisor	1	8/29/2024
Engineering & Facilities -Transit Stop Tech	Transit Stop Technician	2	8/14/2024
Finance	Buyer I	1	2/2/2025
Finance	Data Analyst I	1	3/16/2025
Finance	Revenue Collections Attendant	1	8/22/2024
Human Resources	Benefits Specialist	1	11/23/2024
Management Services	Executive Project Analyst	1	3/10/2025
Management Services	Grants Program Analyst	1	10/7/2023 - On hold
Management Services	Management Analyst	1	11/2/2024 - Frozen
Operations	Electronic Technician	1	2/27/2025
Operations	Mgr Bus Maint Train & Spe Proj	1	3/4/2025
Operations	Security Systems Specialist	1	3/25/2025
Operations	Training Specialist (LR Maint)	1	3/22/2025
Operations - Bus/Maint Supervisors	Bus Transportation Supervisor	11	various
Operations - Bus/Maint Supervisors	Maintenance Supervisor	1	12/4/2024
Operations - Bus/Maint Supervisors	Maintenance Supervisor	1	12/20/2024
Operations - Facilities Maintenance	Facilities Mainten Mechanic	3	7/1/2024 7/1/2024 8/31/2024
Operations - Facilities Maintenance	Facilities Mainten Technician	2	12/29/2023 3/2/2024
Operations - Light Rail	Controller - Dispatcher	2	11/24/2024 12/8/2024
Operations - Light Rail	LRV Maintenance Supervisor (Electro-Mech)	1	2/5/2023
Operations - Light Rail	LRV Maintenance Supervisor (Electro-Mech)	1	8/6/2024
Operations - Light Rail	Manager of Rail Systems	1	2/8/2025
Planning & Development	Data Analyst II	1	3/16/2025
Planning & Development	Manager of Service Planning	1	3/16/2025
Planning & Development	Scheduler II	1	3/19/2025
Planning & Development - Customer Service	Customer Service Rep II	1	2/14/2025
Planning & Development - Customer Service	Transit Center Lead	1	10/17/2024
Safety	Emer Mmngmnt (Prepardnss)Spclst	1	12/22/2024
Technology	Application Administrator	1	9/1/2024
Technology	Application Administrator - EAM	1	10/26/2023
Technology	ERP Manager of HRMS	1	6/16/2024
Technology	ERP Support Specialist (HRMS)	1	4/28/2024
Technology	ERP Systems Administrator	1	4/28/2024
Technology	ERP Technical Services Manager	1	9/23/2024
Technology	HRMS Functional Support Analys	1	4/17/2024
Technology	IT Business Systems Analyst	1	7/6/2022
Technology	MS Dynamics Finan Func Analyst	1	1/2/2024
Technology	MS Dynamics Sys 365 Administra	1	10/21/2020
Technology	Sr System Administrator	1	11/10/2024
Technology	Systems Administrator	1	1/1/2025

2. New positions – Prior to allotment changes - six for Operating, two for Grants, and four for RTS.
 - (a) Please provide estimated total salary and fringe benefits by position. **Operating new positions = 4; Grant new positions = 0 (2 existing, not new, FTE positions are now funded by grants/projects); RTS new positions = 5. FY2026 New FTE positions = 9. See the table below:**

Position	Funding	Salary + Fringe
Transit Stop Technician	RTS	\$ 67,454
Transit Stop Technician	RTS	\$ 67,454
Transit Security Officer	RTS	\$ 83,242
Transit Security Officer	RTS	\$ 83,242
Network Security Engineer	RTS	\$154,710
Customer Service Rep I	Operating & RTS	\$ 44,850
Customer Service Rep II	Operating & RTS	\$ 51,198
Sr. Staff Accountant	Operating & RTS	\$113,022
Sr. System Administrator	Operating & RTS	\$161,441
Totals		\$826,613

(b) Have any of these positions been hired during FY 2025? **No.**

Follow up: Asked that HRT review the net 4 increase in FTEs.

HRT determined a net increase of 4 non-union personnel, which were reviewed and justified through a rigorous vetting process, is necessary to the mission of the agency.

REVENUE:

9. Federal Aid Revenue - \$46,601.1 million thousand (an increase of \$480.4 thousand)

(b) What are the current balances in ARPA/CARES/CRISSA/COVID funds to include the projected FY 2025 and FY 2026 use of those balances? **The table below contains the actual and planned usage of pandemic aid. Based on available funding and circumstances, the Agency reserves the right to adjust the usage of federal dollars.**

Fiscal Year (\$ in thousands)	Actual						Planned		Total Funding	Remaining Balance
	20	21	22	23	24	25Q1&2	25Q3&4	26		
CARES	\$20,627	\$27,257	\$13,848						\$ 61,732	\$ -
CRRSAA			\$ 1,890	\$ 7,771					\$ 9,661	\$ -
ARPA				\$15,747	\$ 6,008	\$11,210		\$20,953	\$ 53,918	\$ -
ARPA Supplemental							\$ 28,500	\$24,238	\$ 52,738	\$ -
Total	\$20,627	\$27,257	\$15,738	\$23,518	\$ 6,008	\$11,210	\$ 28,500	\$45,191	\$178,049	\$ -

Follow-up: Request to see a chart which displays both Traditional Federal Aid and Pandemic Aid

Fiscal Year (\$ in thousands)	Actual						Planned				Total Funding
	20	21	22	23	24	25Q1&2	25Q3&4	26	27	28	
CARES	\$ 20,627	\$ 27,257	\$ 13,848								\$ 61,732
CRRSAA			\$ 1,890	\$ 7,771							\$ 9,661
ARPA				\$ 15,747	\$ 6,008	\$ 11,210		\$ 20,953			\$ 53,918
ARPA Supplemental							\$ 28,500	\$ 24,238			\$ 52,738
Traditional Federal	\$ 7,034				\$ 28,019	\$ 9,821		\$ 1,410	\$ 42,148	\$ 44,174	\$ 132,606
Total	\$ 27,661	\$ 27,257	\$ 15,738	\$ 23,518	\$ 34,027	\$ 21,031	\$ 28,500	\$ 46,601	\$ 42,148	\$ 44,174	\$ 310,654

17. Explain in detail the localities FY 2026 service ‘credit’ for \$4.248 million true-up credits from FY 2020 to FY 2022. What is the revenue source to replace the localities contribution of \$4.248 million. **The service credits are associated with amounts due to government as documented in the audited financial statements. HRT is activating a strategy to utilize ARPA funding to cover eligible expenses. Cities will have an option to utilize the credits or request a lump sum payment.**

Follow-up: Demonstrate how the \$4,248,366 credit to the localities will be applied.

Using the Final TSP for the City of Newport News as an example:

FY2026 FINAL TSP* – NEWPORT NEWS									
Newport News City Routes	Service Hours	Total Expense	Farebox Revenue	Farebox Recovery	Federal & State Aid	Operating Assistance %	Local Funding	Local Funding %	
Bus									
101 Newport News	4,416	\$ 549,768	\$ 50,995	9%	\$ 306,025	56%	\$ 192,748	35%	
103 Newport News	7,110	\$ 885,156	\$ 58,836	7%	\$ 492,717	56%	\$ 333,603	38%	
104 Newport News	15,167	\$ 1,888,209	\$ 101,429	5%	\$ 1,051,060	56%	\$ 735,720	39%	
105 Newport News	9,010	\$ 1,121,696	\$ 99,205	9%	\$ 624,385	56%	\$ 398,106	35%	
106 Newport News	19,214	\$ 2,392,038	\$ 215,142	9%	\$ 1,331,514	56%	\$ 845,382	35%	
107 Newport News	13,125	\$ 1,633,991	\$ 181,488	11%	\$ 909,551	56%	\$ 542,952	33%	
108 Newport News	13,288	\$ 1,654,283	\$ 147,053	9%	\$ 920,847	56%	\$ 586,383	35%	
111 Newport News	13,055	\$ 1,625,276	\$ 63,914	4%	\$ 904,701	56%	\$ 656,661	40%	
112 Newport News	37,397	\$ 4,655,722	\$ 435,622	9%	\$ 2,591,581	56%	\$ 1,628,519	35%	
114 Newport News	3,874	\$ 482,292	\$ 47,158	10%	\$ 268,465	56%	\$ 166,669	35%	
Enhancements	642	\$ 79,925	\$ -	0%	\$ 44,490	56%	\$ 35,435	44%	
Bus Total:	136,298	\$ 16,968,356	\$ 1,400,842	8%	\$ 9,445,336	56%	\$ 6,122,178	36%	
Paratransit:	36,373	\$ 4,954,686	\$ 217,609	4%	\$ 2,764,623	56%	\$ 1,972,454	40%	
Newport News Modal Total	172,671	\$ 21,923,042	\$ 1,618,451	7%	\$ 12,209,959	56%	\$ 8,094,632	37%	
Commission Expense							\$ 270,174		
Advanced Capital Contribution							\$ 370,539		
Newport News Local Contribution:							\$ 8,735,345	①	
Applied Carry Forward Credits:							\$ (662,171)		
Newport News Net Local Contribution:							\$ 8,073,174	②	

*Traditional Allocation

1) For localities choosing a check

Locality will receive a check for the cumulative service credit amount (Newport News = \$1,324,341). When quarterly bills are sent out, the amount of the invoice will reflect ¼ of the \$8,735,345 annual value carried in the FY2026 budget. The quarterly payment will be **\$2,183,836.25** (value includes Operating and ACC contribution).

The Accounting for check payment:

Journal Entry: A/P Invoice

Debit: Unearned Income = \$1,324,341

Credit: Accounts Payable = \$1,324,341

Journal Entry: Cash Transfer

Debit: Cash-Operating = \$1,324,341

Credit: Cash-Reserve (Budgetary Stability Fund) = \$1,324,341

Once the check is cashed, Cash-Operating is credited \$1,324,341, and Accounts Payable will be debited \$1,324,341 (clears the liability and reduces cash). Net zero effect to Operating cash with the transfer from Cash-Reserve (Budgetary Stability Fund) to Cash-Operating.

2) For localities choosing to take the credit*

In line with how Recordation Tax Offset Credits were netted against locality contributions in FY2021, the FY2026 quarterly bill will display ¼ of the \$8,735,345 annual budget amount less the service credit of \$662,171 = net payment of \$8,073,174. The net quarterly payment will be \$2,183,836.25 - \$165,542.75 = **\$2,018,293.50** (value includes Operating and ACC contribution).

*Cumulative service credits of \$1,324,341 for Newport News (as stated in the FY2022 audit) will be applied one half to the FY2026 locality payment with the remaining half applied to the locality payment in FY2027.

The Accounting for crediting local bill with service credits:

Journal Entry: A/P Invoice

Debit: Unearned Income = \$165,542.75

Debit: Accounts Receivable = \$2,018,293.50

Credit: Local Operating Revenue = \$2,091,201.50

Credit: Advanced Capital Contribution = \$92,634.75

Journal Entry: Cash Transfer

Debit: Cash-Operating = \$165,542.75

Credit: Cash-Reserve (Budgetary Stability Fund) = \$165,542.75

Once local payment of \$2,018,293.50 is received, Cash-Operating is debited \$1,925,658.75, and Cash-Advance Capital Contribution is debited \$92,634.75; Accounts Receivable will be credited \$2,018,293.50 (increase in cash, decrease in A/R). Operating cash is made whole with the cash transfer from Cash-Reserve (Budgetary Stability Fund) to Cash-Operating.