



# HRT FY2026 Preliminary Operating Budget Follow-up Q&A

## - MFAC Meeting 4/21/2025

### GENERAL AND FY 2026 ECONOMIC CONSIDERATIONS FOR BUDGET BUILD:

- 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<br>(\$ in thousands) | FY2022<br>AUDITED<br>ACTUALS | FY2023 DRAFT<br>ACTUALS | FY2024<br>DRAFT<br>ACTUALS | FY2026<br>PRELIMINARY<br>BUDGET | FY24 ACTUAL<br>VS. FY26<br>BUDGET<br>\$ VARIANCE | FY24 ACTUAL<br>VS. FY26<br>BUDGET<br>% 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<br>(\$ in thousands) | FY2022<br>AUDITED<br>ACTUALS | FY2023 DRAFT<br>ACTUALS | FY2024<br>DRAFT<br>ACTUALS | FY2026<br>PRELIMINARY<br>BUDGET | FY24 ACTUAL<br>VS. FY26<br>BUDGET<br>\$ VARIANCE | FY24 ACTUAL<br>VS. FY26<br>BUDGET<br>% 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<br>(\$ in thousands) | FY2022<br>AUDITED<br>ACTUALS | FY2023 DRAFT<br>ACTUALS | FY2024<br>DRAFT<br>ACTUALS | FY2026<br>PRELIMINARY<br>BUDGET | FY24 ACTUAL<br>VS. FY26<br>BUDGET<br>\$ VARIANCE | FY24 ACTUAL<br>VS. FY26<br>BUDGET<br>% 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:

- a. 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)
- b. 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)
- c. Finally, depending on the year-end actuarial report, there could be a reduction or an increase in final expenses.

**EXPENDITURE:**

**Personnel**

1. The FY 2026 Preliminary position count has a net increase of 4 FTEs, regardless of funding source.
  - (a) 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.**
  - (b) 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<br>7/1/2024 8/31/2024 |
| Operations - Facilities Maintenance         | Facilities Mainten Technician             | 2              | 12/29/2023<br>3/2/2024         |
| Operations - Light Rail                     | Controller - Dispatcher                   | 2              | 11/24/2024<br>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 Mmgmnt (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        |
| <b>Totals</b>             |                 | <b>\$826,613</b> |

(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<br>(\$ in thousands) | Actual          |                 |                 |                 |                 |                 | Planned          |                 | Total<br>Funding  | Remaining<br>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         | \$ -                 |
| <b>Total</b>                     | <b>\$20,627</b> | <b>\$27,257</b> | <b>\$15,738</b> | <b>\$23,518</b> | <b>\$ 6,008</b> | <b>\$11,210</b> | <b>\$ 28,500</b> | <b>\$45,191</b> | <b>\$ 178,049</b> | <b>\$ -</b>          |

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

| Fiscal Year<br>(\$ in thousands) | Actual           |                  |                  |                  |                  |                  | Planned          |                  |                  |                  | Total<br>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        |
| <b>Total</b>                     | <b>\$ 27,661</b> | <b>\$ 27,257</b> | <b>\$ 15,738</b> | <b>\$ 23,518</b> | <b>\$ 34,027</b> | <b>\$ 21,031</b> | <b>\$ 28,500</b> | <b>\$ 46,601</b> | <b>\$ 42,148</b> | <b>\$ 44,174</b> | <b>\$ 310,654</b> |

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 % |  |
| <b>Bus</b>                              |                |                      |                     |                  |                      |                        |  |                 |  |
| 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%             |  |
| <b>Bus Total:</b>                       | <b>136,298</b> | <b>\$ 16,968,356</b> | <b>\$ 1,400,842</b> | <b>8%</b>        | <b>\$ 9,445,336</b>  | <b>56%</b>             | <b>\$ 6,122,178</b>                                      | <b>36%</b>      |  |
| <b>Paratransit:</b>                     | <b>36,373</b>  | <b>\$ 4,954,686</b>  | <b>\$ 217,609</b>   | <b>4%</b>        | <b>\$ 2,764,623</b>  | <b>56%</b>             | <b>\$ 1,972,454</b>                                      | <b>40%</b>      |  |
| <b>Newport News Modal Total</b>         | <b>172,671</b> | <b>\$ 21,923,042</b> | <b>\$ 1,618,451</b> | <b>7%</b>        | <b>\$ 12,209,959</b> | <b>56%</b>             | <b>\$ 8,094,632</b>                                      | <b>37%</b>      |  |
| Commission Expense                      |                |                      |                     |                  |                      |                        | \$ 270,174   |                 |  |
| Advanced Capital Contribution           |                |                      |                     |                  |                      |                        | \$ 370,539   |                 |  |
| <b>Newport News Local Contribution:</b> |                |                      |                     |                  |                      |                        | <b>\$ 8,735,345</b>                                      | <b>①</b>        |  |
|   |                |                      |                     |                  |                      |                        | Applied Carry Forward Credits: \$ (662,171)              |                 |  |
|   |                |                      |                     |                  |                      |                        | <b>Newport News Net Local Contribution: \$ 8,073,174</b> | <b>②</b>        |  |

\*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  $\frac{1}{4}$  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.*