

MINUTES

BOARD OF DIRECTORS GRTC TRANSIT SYSTEM November 19, 2019

Members Present: Benjamin P. Campbell, Chair
Gary Armstrong, Vice Chair
Eldridge Coles, Secretary/Treasurer
George P. Braxton
Daniel K. Smith

Others Present: Bonnie Ashley, General Counsel
Julie Timm, Chief Executive Officer, GRTC
Sheryl Adams, Chief Operating Officer, GRTC
Timothy Barham, Chief of Transit Operations, GRTC
Janice Witt, Executive Assistant, GRTC
Anthony Carter, Director of Risk Management, GRTC
Barry Herring, Chief of Finance, GRTC
Carrie Rose Pace, Director of Communications, GRTC
Rob Taggart, Director of IT, GRTC
Tonya Thompson, Director of Procurement, GRTC
Von Tisdale, Executive Director, RideFinders
Adrienne Torres, Director of Planning & Scheduling, GRTC
Dironna Clarke, City of Richmond
Chessa Faulker, County of Chesterfield
Lily Hernandez, City of Richmond
Danielle Nikolaisen, Brown & Edwards
Ken Lantz, Plan RVA
Lou Lassiter, City of Richmond
Bret Lewis, City of Richmond
Dawn Missory, County of Chesterfield
Roberto Roldan, VPM
Patrice Strachan, Department of Rail and Public Transportation
Chris Suarez, Richmond Times Dispatch
Matt Welch, City of Richmond
Jonolyn Wills, City of Richmond

The meeting of the GRTC Transit System and RideFinders Board of Directors was called to order at 8:00 a.m. by the Chair, Mr. Campbell, in the 3rd Floor Conference Room of the operating offices of the corporation, 301 East Belt Blvd, Richmond, Virginia. A quorum was present.

Public Comments - There were no public comments.

Minutes - The Board Meeting Minutes from October 22, 2019, were approved.

Financial Report

Discussion/Information Items

- A. Financial Performance – Mr. Herring reported there was a total favorable variance of \$862K; however, last year through November 2018 there was an unfavorable variance of -\$668K which was due to our expectation to revenues. Total revenues this year, not including operating contributions total \$6.458M while last year they totaled \$5.765M, an improvement of \$693K. From what Mr. Herring can see at this point, he does anticipate our Revenues to meet expectations for the year. On the expenditure side, expenses are favorable overall; however, there are a few items that he is watching; diesel fuel exceeded budget the first four months, some repairs and materials for the year to date were over budget in the fuel, repairs and materials, and maintenance supplies part of the budget. GRTC did get better pricing recently with diesel fuel so that should smooth out by the end of year.
- B. Upcoming Procurements – Ms. Thompson reported that there are eight upcoming procurements over \$50,000. They are Janitorial Services for GRTC facilities (January 2020); Hastus Software Support and Maintenance (December 2019); Fleet Buses – Gillig (January 2020); Insurance Broker Services (December 2019); Bus Stop Signs Manufacturing (December 2019); Shelters for Jefferson Davis Highway (December 2019); Shelters for Bon Secours Project (January 2020); and Legal Services (January 2020). This will be highlighted each month.
- C. City of Richmond Audit of Revenue – Mr. Lassiter and Ms. Hernandez with the City of Richmond presented the findings from the GRTC Revenue Audit. This is an audit of the revenue side of GRTC and it was a scheduled audit on the City's audit plan. The objectives for this audit was to evaluate the finance of GRTC by reviewing the internal controls over revenue collections. GRTC has strong internal controls to safeguard cash counted in the Money Room; Farebox and the Ticket Vending Machine (TVM) collections processes have controls in place to safeguard the funds collected; and GRTC has strong internal controls over the reconciliations for credit card payments and Farebox collections. There were a few areas that need improvement and the City highlighted those and gave GRTC recommendations.

Action Items

- A. RideFinders Annual Audit Report – Ms. Timm informed the Board that they have a fiduciary responsibility over RideFinders; therefore, the annual audit for RideFinders will be presented to the Board every year. Ms. Nikolaisen, CPA, Brown Edwards, stated that there's a required correspondence that they must make of governance which is essentially this group and that goes over a very high-level result of the audit and how things went, any key things that needed to be pointed out. In that document (which staff will provide to the board) it has the contact information for her and the firms partner, Leslie Roberts, for signing off on the report. It goes into significant audit communication matters, there was a new accounting standard update that had to be implemented this year for all not for profits so that was pervasive to the financial statements. There were no significant or unusual transactions that need to be reported and there were no areas for which there was a lack of authoritative accounting guidance. The auditors encountered no significant difficulties in dealing with management. Management does a great job getting everything ready.

There were some adjustments that were made as part of the audit and they will be included in the appendix of that report; however, they were very minor. The one thing that is not adjusted every year is the ticket inventory. Ridefinders buys tickets from GRTC, technically that's an asset and should be maintained as an asset until it's spent just as an inventory it is expensed but ultimately at the end of the day RideFinders gets compiled with GRTC, so it doesn't really have a net affect. The auditors must expose this to the Board because of the dollar amount. Also, included with the report, an appendix that includes managements representation essentially holds harmless staff that they have been forthcoming, honest and all information provided is accurate.

You will notice on the financial report this year that it's a Brown Edwards report. Since this is the first year that we are reporting to you all as part of RideFinders, it was DHG prior to FY19 that issued the reports, so the audit report has some additional disclosures related to that. It is a clean opinion, there were no material misstatements, no issues, and that's the highest level of assurance you can get on a financial report. There was a change in accounting principle which is the ASU. The 2018 financials were technically audited by DHG, it was the same team, just under a different firm and that must be disclosed.

There is another independent audit report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards. Because Ridefinders is so inter-related to GRTC the audit that they perform over RideFinders is actually in accordance with government audit and standards. It's not saying they audited internal controls but subjected some of those items to their audit if they had anything to report they would. They noted nothing during their audit related to internal controls and compliance. This was a full scope audit.

Staff is requesting that the Board of Directors accept the RideFinders Annual Audit, Mr. Smith motion to accept staff's recommendation, Mr. Braxton seconded, and the motion carried unanimously.

- B. FY2021 Draft Operating Budget – Ms. Timm presented discussion of our operational budget for the FY2021, which doesn't begin until July 2020; however, this starts the process for GRTC's operational budget and GRTC is required to get that to the City after the November board meeting. This is the presentation of the analysis of the budget and the proposal for the baseline budget to advance. The presentation is broken down into 4 parts; an assessment of our revenue, our expenses, a comparison to our service and the next steps.

Revenue assessment - The revenue has included several different items: included increase in revenue from Chesterfield service, both in the grants as well as farebox revenue. The Pass Program and Fares, the FY2021 baseline there is small increases for the fare and pass revenue which are based on projections of increased ridership on Jefferson Davis as well as the increased ridership we see month over month. For the advertising revenue from VCU and Bon Secour, there was a change there from FY2020 to FY2021, that is a timing issue with the adoption of the advertising contract through City Council and GRTC's ability to now in FY2021 fully receive all those funds and to use them. Under operating contributions, there is a nominal increase in funds from federal and state as GRTC's ridership increases. You do not see an increase in the baseline for Richmond or Henrico; however, Chesterfield there is an increase because of the new service on Jefferson Davis. The two municipalities do not show an increase because this is proposed as a baseline

budget, an ability to move forward with the existing service. Conversations have not happened with the City over what service or amenities they would like to see added in FY2021. Overall between FY2019, FY2020, and FY2021 GRTC is working to keep a level budget. GRTC's service increased dramatically and yet the budget is not increasing. The revenue trends for federal, between FY2017 and FY2021 there is a great bump in FY2019. That's because of the 5307 money and that can be received through federal grants that can be used for operational assistance and it can be also be used for capital. When it is used for operational, it's a matter of flexing the money from our capital resources over to preventive maintenance and ADA capital cost of contracting. It can only be used for limited uses and we can only flex an amount to cover that. This represents a maxing out of what we can flex over for operating. What it also means is that money can't be used for vehicle purchase and it can't be used for other capital needs in the system which is why when we do go after state and federal grants there's discretionary grants to fill it. As staff looks at capital expenses next month, there will need to be a policy discussion for how the money is flexed from federal over to capital.

State funding GRTC expects to see a bump but it's too early in the year to know how much. If that does happen, the recommendation would be to adjust the budget to downward, push the federal and push that back into our capital so that we can use those for shelters and for vehicles and especially as GRTC starts moving towards decisions on articulated vehicles. For now, we are level setting it and keeping it based on what we know. The fares have increased year over year and that's different than what was reported before and that has to do with how it was reported. When you look at farebox and what you get from ticket sales, there was a decrease; however, as ridership increases there is a transfer of some of that revenue from the farebox to some of GRTC's pass programs. The VCU contract and some of the others, when added together there's an upward trend in fares. By looking at those opposed to individually you get a real accurate reflection of what customers are paying to ride GRTC.

Expenses - There are no changes in the existing service level therefore there is a little bump in the operation expenses and that accounts for the Jeff Davis service, the Route 1. The service for Richmond and Henrico is considered flat even though there are inflationary pressures to increase it. The goal here is to use existing resources and existing budget to stay as flat as possible. It means taking a little bit of a cut in how we operate because annual increases in salary and wages on average is 3%, you're not seeing that in this FY2021 budget and bit of reallocating where those resources go. In the past, GRTC budgeted for the amount of staff projected that would be needed. This right size is what can be staffed even though more are needed. There's also a fairly large bump under benefits about \$1M; health care cost is escalating, and this is a national issue and GRTC can certainly feel it as well. Pension costs is also a benefit increase that must be dealt with under the CBA; the pension contributions have gone from 10% to 12%; general liability premiums also increase year to year. Most of GRTC's money goes into operating this agency. If cuts were needed, those areas would have the biggest impact – wages and benefits increase year after year. In FY2019, the Pulse started and GRTC did some redesign and as expected there's a bump because there are more operations. If wages are cut, where? Operations is putting service on the road, maintenance keeps our buses functioning, benefits that's our healthcare and pension, and most of the money goes to operate this agency. Operators couldn't be cut, then you would have to cut service. People say there are too many admins and GRTC is top heavy, that is not true. Most of GRTC's money goes into what it takes to operate this service and put service on the street in a state

of good repair. When you look year after year, it's GRTC's operational budget putting service on the road and putting better service and more service out to our customers that's been increasing year after year and that's the major driver of the cost to this agency.

Here's a list of some of the Budget Policy Assumptions for Discussion:

- Salaries are held constant to 2020 budget through reducing budget for staff positions unlikely to be filled in 2021 based on current recruitment
- Wage and pension benefits in CBA up for renegotiation in early FY21. No increase accounted in baseline budget. Will require consideration of alternative benefit proposals.
- Healthcare benefits increasing at unsustainable rate. Will require renegotiation of contract and will be part of CBA negotiation
- Baseline does not include expansion service levels in Richmond or Henrico
- Baseline does not include significant expansion of shelter program
- Consideration of fare revenue
- Consideration of future revenue or expense adjustments for advancement of account-based fare system to fixed route service.

The budget will be adopted in June 2020. Staff is requesting that the Board of Directors accept the baseline draft proposed budget for presentation to partners. Mr. Armstrong motioned to grant staff's request, Mr. Smith seconded, and the motion carried unanimously.

Operations Report

Discussion/Information Items

A. Operating Performance – Ms. Adams provided the highlights on operations:

- Local Fixed Route and Local Pulse Ridership increased
- CARE/CARE Plus/CARE on Demand increased
- Scheduled Trips Operated increased and is the highest it has been all year
- On-Time Performance is down, staff continues to monitor this and work with the Operators and the routes that are poor performing
- Operator overtime is down
- Fixed Route Complaints are down
- Down three operators
- RideFinders won the EPA Clean Air Excellence Award for the Project – RideFinders Commute Green Summer Challenge in the Transportation Efficiency Innovations category
- RideFinders also won Best Print Marketing Campaign award from the Chesapeake Chapter, Association for Commuter Transportation for the project "RideFinders Burn Calories, Not Gas Bike Challenge"

B. Safety Performance – Mr. Carter provided a handout to the Board from FTA. FTA came out with the Public Transportation Agency Safety Plan which is for transparency. Most of this is already being done by transit organizations but there is not an actual plan in place where they can accurately show how they manage safety. There are four components: Risk Management, Risk Assessment, Safety Promotion, and Safety Tracking. FTA has required transit agencies to prepare a plan by July 2020. GRTC is in the process of working with a Safety Consultant to come up with a way to track information and put it together so there is

a blueprint to show how we track things and include all four components. The consultant will help with guidelines on how this can be put together. No two public transportation systems are alike so there will not be any plans that are alike. The consultant met with each department when he was on site and has provided great information and found no surprises. Staff will bring this plan back to the board before July 2020 for adoption.

- C. Fare Structure and Opportunities for Advancement – Mr. Taggart, GRTC's IT Director, gave a presentation on technology advancements. He stated that GRTC has a very complex fare structure with 18 different pass types, many different upgrades and options, unlimited passes are open to abuse/misuse, there's also a potential equitable access problem meaning that someone may not be able to afford a 7-day or 30-day pass so how do they access that benefit if all they can afford is that one ride. Because of some technology limitations, GRTC currently doesn't have change cards. The current infrastructure at GRTC is wonderful, fareboxes on the bus support all the advanced technology; reading smart cards, scanning barcodes, and reading magnetics. TVMs are very new and they can do all those same features except for being able to read the old magnetic strip, fare media, Mobile pay 1.0, and disposable smart cards out in the outlet stores.

Here are some coming solutions that have already been approved: *Mobile Pay 2.0* – GRTC's partnership with VCU developed this project. Instead of paying for each ride, VCU has an agreement with GRTC and pay an annual fee and VCU gets to ride unlimited, so the mobile payment app was reworked to allow this. The benefit is that now GRTC will be able to allow that same functionality to other corporate e-pass customers that do pay us per click. Eventually, if we choose to go this direction as an organization, we will be able to do account-based transactions with all our riding public. *Account-Based Paratransit Fare Collection* - This is the smart card ticketing system for our CARE system. The account-based paratransit fare collection has been slowed down due to Mobile Pay 2.0. Once the Mobile Pay 2.0 is complete the department will finish the account-based smart card system that's being installed in our paratransit fleet.

There are however some policy roadblocks and revenue recovery: GRTC has not increased fares since 2004 and for GRTC to be able to increase fares we must go through Title VI Analysis and jurisdictional approval. GRTC has limited ability to set special fares quickly. Simplifying the fare structure, defining the farebox recovery policy, will we need to focus more on equitable access, will we want to make the experience easier for GRTC customers, and do you want to look at multi-modal scale technology, these are some of the possible goals for GRTC. GRTC will need to define fare rules for different caps, jurisdictional approval, title VI approval, and require the account-based fare system. There are policy decisions on the account-based fare system for example, what are the methods of reloading an account, staffing the finance, customer service, and farebox departments, recognizing revenue and the expense of the cards. All of these are decisions/policies that will need to be made.

A list of next steps includes development of an internal working group, policy decision by the Board, full development of scope, schedule, and budget of related projects, and public outreach.

Action Items

- A. Route 1 Promotional Media Buy – Ms. Pace reported that this is a pass-through contract that has been approved by Chesterfield County staff and it is fully funded from the Chesterfield grant for the new Route 1 local bus service which will be operating between the Food Lion in North Chesterfield down to John Tyler Community College in Chester. In order to prepare for this service, we have a marketing campaign and out of that we have media buys that need to happen for this new bus service.

Two media buys will require your approval but for context we also included the other media buys that will be part of the Chesterfield project so you can see where we will be placing all of our Chesterfield dollars on this project. The top two are NBC12 and CBS6; both NBC and CBS are recommended to have \$160,000 each for three-month period, approximately late January – late April 2020. Non action items but for context, Comcast the recommendation is not to exceed \$90,000 and Radio Poder which is a Hispanic focus local radio and TV is not to exceed \$10,000.

Staff is requesting that the Board authorize the CEO to issue a purchase order to NBC12 not-to-exceed \$160,000 and CBS6 not-to-exceed \$160,000 for on-air and digital advertising of GRTC service expansions and extensions. Mr. Coles asked about print media and Ms. Pace stated that yes, they would be using the Chesterfield Observer. After a brief discussion, Mr. Braxton motioned to grant staff's request, Mr. Armstrong seconded, and the motion carried unanimously.

- B. Paratransit Van Replacements – Ms. Thompson stated that staff has identified 30 paratransit vans that are at the end of their useful life. At this time, staff would like to replace fifteen (15) vehicles. Staff is interested in purchasing twelve (12) Ford Starcraft Allstars and three (3) Chevrolet Spirit of Freedom Shuttle buses. The purchase will be funded with federal, state, and local funds. Staff is requesting that the Board authorize the CEO to issue a purchase order to Sonny Merryman, Inc., in the amount of \$1,610,928 for the purchase of fifteen (15) CNG-powered shuttle buses. Mr. Smith motioned to grant staff's request, Mr. Braxton seconded, and the motion carried unanimously.
- C. Onboard Safety Video System Purchase – Mr. Taggart stated that following your approval to purchase 15 paratransit vans staff will need to purchase video cameras and recording systems for those fifteen vans for safety and security. This purchase is also completely funded with federal, state, and local funds. Staff is requesting that the Board authorize the CEO to issue a purchase order to Apollo Video Technology for a total cost of \$117,491 for the purchase and installation of onboard surveillance camera equipment for fifteen (15) paratransit buses. Mr. Armstrong motioned to grant staff's request, Mr. Braxton seconded, and the motion carried unanimously.
- D. Diesel Fuel Fixed Price Purchase – Mr. Thompson said that on October 22, 2019 James River Solutions was instructed to lock in at the then current rate of \$1.944 per gallon for the period November 1, 2019 through April 30, 2020. This expense is funded completely from the operating budget. Staff is requesting that the Board ratifies staff's action executing a fixed-price diesel fuel purchase at a delivered price of \$1.944 per gallon for the period November 1, 2019 through April 30, 2020. Mr. Smith motioned to grant staff's request, Mr. Armstrong seconded, and the motion carried unanimously.

VI. Governance / Stakeholder

- A. *Board Strategy Sessions* – Ms. Timm has discussed with each board member and mentioned at last month's meeting the need to have more in-depth discussions regarding changing the board meeting date to later in the month, governance structure of the organization as to whether committees or subcommittees need to be formed for fare structure, budget, audit, and any topics the board members would like to discuss.

Staff is developing a scope and cost estimate to do a strategic meeting with the Board. Once a consultant is selected, he/she would go through a process of interviewing/discussing with each board member priorities so that the Board members can set and prioritize the agenda for staff to start preparing items for consideration. Topics are being suggested but this is the Board's retreat. At this point, hoping to do discussions with members through the month of January and having a retreat in February.

- B. *Navy Hill Transfer Center* – Ms. Timm reported that several board members have actively participated in some of the conversations regarding Navy Hill but she wanted to make sure the rest of the members were aware of conversations and how it has advanced. Specifically, the statements that have been made about the transfer center that are part of Navy Hill Development are that our riders as you all know are transferring on 9th Street in the weather and in the elements and have been doing so for years. It is a significant transfer point and it needs to be addressed. There is a definite need to find a permanent place, that is safe, comfortable, and dignified. GRTC would also like it to be near the Pulse. The Navy Hill proposal does start to address those issues and some of the questions are: is it the right size and is it the right placement for the ongoing long-term needs of GRTC riders. Discussions are being held with the City and the developers about these issues and there are some great elements to the area that is defined now that would serve those needs.

GRTC still needs to find the cost, not only the capital but the long-term leasing cost and can we afford it. These are the conversations and I wanted to make the Board aware in case there's a specific item that you want pursued and brought back. As the City grows and as GRTC services go to downtown, there is a need to have a place and also the need for other smaller places along the Pulse throughout the City for other transfer systems. It's not an either/or it's a both.

Part of the conversation with the City is that there are some expectations that if the City does approve and move forward with the Navy Hill Proposal as its currently being presented, there's an expectation that the Navy Hill Transfer Center on 9th Street the developer would build the foundation, the shell on the first floor that GRTC would build out of capital money and then a super structure would be built above the area which would be for commercial or residential use or some type of taxable resources.

The shell that GRTC would build up on that first floor would be with capital funds, part of those funds would be from the sale of the trolley barn, other federal and state resources, capital grants which are competitive and no guarantee. With the designs that are there, there definitely is the ability of this agency to prioritize that and to find

it we will have to be very clear about how that impacts other capital decisions. What are those lease payments annually and how will GRTC afford those and how will it be incorporated into the annual budget? Those are questions we can't answer now. When the timing is right, the City will do a presentation on this project.

CEO Report

Ms. Timm announced that Adrienne Torres has been promoted to the Director of Planning & Schedules position.

There being no further business, the meeting adjourned at 10:20 a.m.

APPROVED:

Benjamin P. Campbell, Chair

Date