

**MINUTES OF THE
ACCOMACK-NORTHAMPTON
TRANSPORTATION DISTRICT COMMISSION**

A special-called meeting of the Accomack-Northampton Transportation District Commission was held at the Accomack Airport, Melfa, Virginia, on Tuesday, May 19, 2009 at 4:00 p.m.

Present:

Richard B. Tankard, Chairman
Steve Mallette, Secretary-Treasurer
Jeffrey K. Walker
E. Philip McCaleb, Vice Chairman
Ron Wolff

Absent:

Laurence J. Trala

Ex-Officio member present:

Kevin Page

Nonmembers present:

Mary Ardolino, STAR Transit

In Re: Call to Order

The meeting was called to order by the Chairman who noted that a quorum was present. The purpose of the meeting was discussions and possible action relating to STAR Transit as well as a possible Closed Session.

In Re: STAR Transit

Mr. Tankard reported that representatives from the Virginia Department of Rail and Public Transportation and Virginia Regional Transit were recently on the Shore, assisting STAR Transit and developing a Cash Management Assessment of the operation. See below:

STAR TRANSIT
Cash Management Assessment
As of 5/15/09

Introduction: The CEO and CFO of Virginia Regional Transit visited Star Transit and conducted a one day assessment of why the Transit System was unable to fund daily operations.

Conclusion: Our review revealed the following systematic faults:

- The manager of Star transit has not obtained local funding and in fact, has had local funding cut and has not adjusted the service model to match the funding. This has occurred at least for the current fiscal year and for the coming fiscal cycle.
- There is no cumulative financial system to monitor performance and compare operating revenue with expenses making the problem invisible until there is no cash to fund operations. Detailed financial information is kept and linked to DRPT billings on a monthly basis but no accounting system is in place. There is no general ledger, purchase journal or payable & receivable system in evidence. The book keeping firm the manager uses only does payroll items.
- No ongoing reporting of financial performance is provided to the board of directors, and since the board is made up of elected officials of the two county governments served, there is no specialized board assistance provided to the manager.
- The administration of the agency is basically a one person operation with a part time assistant. The manager, while very conscientious does not have a financial expertise. She also is very skilled in operations, but has no senior management skills. (She is not equipped to approach funding sources effectively). Her understanding of finance appears to be only in the area of reporting to DRPT for funding.
- DRPT has not questioned what appears to be over payment of state operating assistance, nor requested return of those over payments. The manager “always” (her word) has requested adequate state and federal funds to cover service, and always under spends those approved budgets.
- Advertising revenue is used in the current cycle and cannot be projected accurately. These revenues should be collected in one cycle and applied to the next or held as reserves to offset changes in planned expenditures.
- The lack of operating revenue has and will in the near term prevent the full utilization of the maintenance facility and Star’s ability to reduce maintenance costs. There is not adequate equipment and furniture in place in the facility to operate the system.

Recommendations: In the short term several things need to happen to sustain the transit system including:

- She will require over \$30,000.00 in local cash and over \$70,000.00 in federal and state monies to finish the current fiscal year ending 9/30/09, at current service levels. At present she may receive approx. \$4000.00 in advertising revenue and has a pending request of \$9,000.00 in supplemental county funding.
- Her funding at the local level will require a 50% reduction in service commencing 10/1/09. This reduction should be implemented as soon as possible (propose 6/1/09) to reduce the needs of the first bullet.
- An accounting system to monitor financial performance should be purchased and the manager or someone needs to be trained in basic accounting for transit operations. A system like Peachtree or Quick Books would be adequate. We have provided her with VRT's operational analysis system and are prepared to assist her in using this tool.
- The Board of Directors for Star Transit need to be provided with monthly financial analysis and impacts so they can make effective decisions and manage the policies governing the system.
- The transit manager should temporarily suspend all pay raises, paid sick time and holiday pay for staff. In addition the manager should consider 5, 10 or 15% temporary pay reductions for all staff. Current policy provides for paid driver breaks, this also should be suspended until the financial position improves.
- At the present time, one of the counties provides fuel to the system and the agency pays the county. A free or reduced fuel allotment should be requested through the end of this fiscal year. At present this would save about \$4,000.00 per month (\$1,000.00 in local funding and \$3,000.00 in federal and state dollars).
- The board could authorize use of the working capital line of credit and dedicate advertising revenue to re pay that line in 09/10. This would only be recommended if plans to make the system operate within the funding levels were implemented.
- Shut the entire system down for 30 days to reduce the local match required
- Request the state to not recover over allocation of formula funding

Long Term Suggestions: In our session, we did some brain storming and offer the following ideas for the transit system to consider:

- Begin a program to conduct fund raising activities such as a bow-a-thon, golf tournaments etc. Use any money raised in a future budget cycle to insure no over-estimating of revenue happens.
- Approach groups such as the United Way, local Rotary clubs, Kiwanis and others for one time financial assistance.
- All of the incorporated Towns currently served should be approached for local match for service in their communities.
- Request a technical assistance grant to provide staffing to accomplish public relations and community support for transit as well as financial information processing supports for the transit system.

- Close the system on federal holidays not currently observed. (IE: Veterans Day, Martin Luther King Day etc.)
- Lease the garage to a qualified diesel mechanic who could be contracted to perform work on the buses as a #1 priority for a negotiated labor and parts pricing arrangement. The rent generated could be used as local match and servicing the vehicles could be accomplished on site without the added labor expense.
- Develop an annual report on system performance that could be distributed to the funding sources and the community at large. Most now are unaware of the systems performance.
- Have a regular reporting mechanism to the elected officials to educate them on the system and needs of the community. This would assist in garnering long term support for the increasing costs associated with public transit.
- The board of directors should develop a strategic plan and the state should complete a transit development plan to assist the agency I making strong fiscally responsible decisions regarding future transit services.
- The structure of the board should be examined to include some specific skill sets from the community, while maintaining the government input.

While a one day assessment is inadequate to re-write any transit system in any community, It is my belief that this system serves many people very well, and operates at a very low cost. The system need more administrative and community support to thrive. Any type of compliance audit or triennial review would uncover many faults, but the underlying principle that almost 40,000 trips are provided and the utilization and demand for the service grows every year. Shutting the system down would hurt the most frail members of the community and deliver another economic blow to one of the hardest hit area of the commonwealth.

As I have indicated, we at VRT are willing to provide any assistance we can to the Star system, but we cannot do any extensive work without full cost reimbursement, or a management contract. I would be happy to discuss in detail any item in this report with anyone from DRPT, FTA or Star Transit. This ends our report and anticipated work with Star Transit unless you request additional follow-up.

Based on calculations derived during the assessment, Mr. Tankard noted that it would require \$114,109 to operate the STAR Transit system for one year. Current funding levels from both counties fall short of this requirement. Based on the current Revenue Service Hours (RSH) (percentage of service in county), Accomack County should provide 51.3% of the required funding and Northampton County should provide 48.7% of the funding. Using this formula, Accomack County would need to appropriate an additional \$18,000+ for this fiscal year and Northampton County would need to appropriate an additional \$22,000+. With the funding provided to date by the two counties, less than one month's service remains.

To further complicate matters and in addition to the approximate \$26,000 per month in normal operating expenses, there are several additional liabilities which are pending including

\$15,000 due to the general contractor for the new building, \$4900 overpayment by VDRPT and \$23,000 in architect fees.

Adding the routine operating expenses plus these additional items and allowing for a small contingency brings the total required funding for STAR Transit to be able to continue through September 30th would be \$100,000. Using the RSH percentage identified above would equate to approximately \$51,000 for Accomack County and \$49,000 for Northampton County.

Mr. Walker left the meeting at 5:40 p.m.

It was pointed out that closure of STAR Transit will, in effect, make the Counties liable to the Federal Government for repayment of its 900,000 portion of the building's cost.

In Re: Closed Session:

Motion was made by Mr. Mallette, seconded by Mr. McCaleb, that the Commission enter Closed Session in accordance with Section 2.2-3711 of the Code of Virginia of 1950, as amended:

Paragraph 1: Discussion or consideration of employment, assignment, appointment, promotion, performance, demotion, salaries, disciplining, or resignation of specific public officers, appointees or employees of any public body.

All members were present with the exception of Mr. Walker and Mr. Trala and voted "yes." The motion was unanimously passed.

Mr. Wolff left the meeting at 6:15 p.m.

After Closed Session, the Chairman reconvened the meeting and said that the Commission had entered the closed session for that purpose as set out in paragraph 1 of Section 2.1-3711 of the Code of Virginia of 1950, as amended. Upon being polled individually, each member confirmed that this was the only matter of discussion during the closed session.

In Re: STAR Transit Actions

Motion was made by Mr. Mallette, seconded by Mr. McCaleb that the ANTDC request a financial management audit to be performed at no cost by the Virginia Department of Rail and Public Transportation on the STAR Transit operations. All members were present with the exceptions of Mr. Trala, Mr. Wolff, and Mr. Walker and voted "yes." The motion was unanimously passed.

Motion was made by Mr. Mallette, seconded by Mr. McCaleb that the funding ratio for STAR Transit operations this fiscal year be set at the current Revenue Service Hour percentage identified above and that this ratio be adjusted each year based on the STAR Transit current printed

routing schedule. All members were present with the exceptions of Mr. Walker, Mr. Trala and Mr. Wolff and voted “yes.” The motion was unanimously passed.

Motion was made by Mr. McCaleb, seconded by Mr. Mallette, that both Accomack and Northampton Counties be requested to provide their pro-rated portion (as identified above) for the required bridge financing needed for STAR Transit operations through September 30, 2009. All members were present with the exception of Mr. Trala, Mr. Walker and Mr. Wolff and voted “yes.” The motion was unanimously passed.

Members did note that all of the recommendations contained in the Cash Management Assessment are being considered for implementation to ease the cash flow situation.

In Re: Adjourn

Motion was made by Mr. Page, seconded by Mr. Mallette, that the meeting be adjourned. All members were present with the exceptions of Mr. Wolff, Mr. Trala and Mr. Walker and voted “yes.” The motion was passed. The meeting was adjourned.