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Title:	Resolution to Amend the Cost Allocation Agreement Between the Cities of Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, Virginia Beach, and the Transportation District Commission of Hampton Roads				
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Resolution to Amend the Cost Allocation Agreement Between the Cities of Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, Virginia Beach, and the Transportation District Commission of Hampton Roads

PURPOSE/BACKGROUND:

Similar to Transit Agencies across the country, HRT continues to face a decline in ridership since the Covid-19 Pandemic. This decline is impacting bus fare revenues. The Federal government has provided relief funds to assist transit agencies with revenue losses and costs related to the Pandemic. In order to allocate these Federal funds and available State funds to mitigate the loss of revenue from the decline in ridership, the HRT cost allocation agreement needs to be temporarily amended. All HRT member cities are being asked to approve a modification to that agreement for it to be put into effect. Member cities adopted a one year amendment to the formula each of the last three years to address this issue. Given the enduring impacts the Pandemic has had on ridership that are projected to continue in FY25, HRT has asked its local member cities to again temporarily amend the cost allocation formula so they can use the Federal relief funds and State funds to offset revenue losses. This action will minimize the impact the low ridership will have on our local contribution to HRT.

Discussion:

See Purpose/Background above.

Impact:

See Purpose/Background above.

Recommendation:

Approve the Resolution.

WHEREAS, the Cities of Chesapeake, Hampton, Newport News, Norfolk, Portsmouth and Virginia Beach (collectively, the "Participating Cities") and the Transportation District Commission of Hampton Roads ("HRT") are parties to the Cost Allocation Agreement, effectively dated October 1, 1999 ("Allocation Agreement");

WHEREAS, the Allocation Agreement, among its other provisions, defines how state and federal funding received by HRT is allocated to the Participating Cities for the capital and operating costs associated with acquiring, consolidating, rehabilitating, operating, and expanding public transportation facilities and services for the Hampton Roads region;

WHEREAS, the Allocation Agreement currently requires HRT to distribute its eligible federal and state funding to each of the Participating Cities on a pro rata basis based on the annual cost to provide transit services at the level requested by each Participating City;

WHEREAS, HRT may provide greater budgetary certainty to all Participating Cities through strategic allocation of its eligible state and federal funding;

WHEREAS, the current Allocation Agreement does not permit HRT to strategically allocate its state and federal funding amongst the Participating Cities;

WHEREAS, the Allocation Agreement may be amended, via a resolution from each Participating City, to permit HRT to strategically allocate its eligible state and federal funding;

WHEREAS, the City of Hampton desires to temporarily modify and amend the Allocation Agreement so that HRT may help mitigate adverse financial impacts to it and the other Participating Cities from the date of this Resolution until June 30, 2025;

WHEREAS, HRT and other Participating Cities have represented that Article IX, Allocation of Revenues, sections (D) and (E) are not deleted permanently, but suspended between July 1, 2024 and June 30, 2025 and the City of Hampton has relied upon this representation; and

WHEREAS, the City of Hampton's approval of this amendment is conditioned upon Article IX, Allocation of Revenues, sections (D) and (E) being suspended and returning to effect on July 1, 2025.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Hampton:

1. Beginning July 1, 2024 and continuing until June 30, 2025 ("Effective Period"), which corresponds with HRT fiscal year 2025, HRT is authorized to strategically allocate its available and eligible federal and state funding, to the City of Hampton (the "City").

2. During the Effective Period, the City agrees to modify the Allocation Agreement, Article IX, Allocation of Revenues, sections (D) and (E) shall be deleted and replaced as follows:

Article IX. Allocation of Revenues

D. Federal funds received to reimburse net eligible operating expenses will be strategically allocated to each Participating City. Eligible federal funds, in combination with eligible state funds, will be allocated on an annual basis, in such combinations and amounts to be

determined by the Commission. Subject to the requirements of Article X, and in the event eligible federal funds are available, such funds will be allocated to the Participating Cities to offset any deficiencies between the estimated Local Share in each Participating City TSP and the actual Local Share determined by the Commission at the end of each of the fiscal years.

E. State funds received to reimburse net eligible operating expenses will be strategically allocated to each Participating City. Eligible state funds, in combination with eligible federal funds, will be allocated on an annual basis, in such combinations and amounts to be determined by the Commission. Subject to the requirements of Article X, and in the event eligible state funds are available, such funds will be allocated to the Participating Cities to offset any deficiencies between the estimated Local Share in each Participating City TSP and the actual Local Share determined by the Commission at the end of each fiscal year.

3. During the Effective Period, the City agrees to modify Article X, Calculation of Local Share of Operating Costs, of the Cost Allocation Agreement by adding section (C) as follows:

Article X. Calculation of Local Share of Operating Costs

C. The fiscal year of the Commission shall begin in July 1 and conclude on June 30. In the event the actual total local share of Local Funds is less than the budgeted total local share of Local Funds for a Participating City, after the Commission has strategically allocated federal and state funds in FY2025 ("Surplus"), then such Surplus shall be refunded in full by the Commission to that Participating City on or before August 1, 2026.

In the event the actual total local share of Local Funds, exceeds the budgeted total local share of Local Funds for a Participating City, after the Commission has strategically allocated federal and state funds in FY2025 ("Deficit"), then such Deficit shall be paid in full by the Participating City to the Commission on or before August 1, 2026.

Except for the obligation for the Commission to pay any Surplus to the City of Hampton or the City to pay any Deficit to the Commission for FY2025, all amendments to the Allocation Agreement contemplated by this Resolution shall automatically terminate on July 1, 2025, be deleted from the Allocation Agreement and of no further effect without the need of further action by any party to the Allocation Agreement.

That this Resolution shall be in effect from and after the date of its adoption.