



COMMONWEALTH of VIRGINIA

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Mr. Randolph Parker, Board President, JAUNT, Inc.
Ms. Karen Davis, Interim CEO, JAUNT, Inc.
104 Keystone Place
Charlottesville, VA 22902

Dear Mr. Parker and Ms. Davis:

The Virginia Department of Rail and Public Transportation (DRPT) has a strong relationship with JAUNT, Inc. (JAUNT) and fully supports the provision of public transportation in your area. As we communicated to you in March, DRPT has conducted an in-depth review of JAUNT's financial, operational and management practices based on the findings in your FY20 Financial Report. The findings of this review are troubling and indicate a pattern of misinformation and inaccurate reporting by JAUNT leadership that resulted in the over-allocation of state and federal resources to Jaunt from FY19 through FY22. The purpose of this letter is to advise you of the steps necessary to bring JAUNT back into compliance with state and federal funding requirements.

DRPT has the fiduciary responsibility to enforce the terms of the State Master Agreement signed by JAUNT and to ensure appropriate utilization and management of state funding. The protection of the Commonwealth of Virginia's investment in JAUNT as well as the continuation of transit service to the citizens of your area is of utmost concern to DRPT. Therefore, we have worked diligently with the Federal Transit Administration to ensure that the actions presented in this letter fully resolve concerns with JAUNT as an agency, allowing you to continue to provide vital services to your community.

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Our comprehensive review has identified the following key issues that must be addressed to bring JAUNT into compliance:

- Inaccurate reporting of performance data (ridership, revenue miles, revenue hours)
- Allocation of costs and revenues from contracted services (Agency Trips and ADA)
- Inaccurate reporting of utilization of capital assets
- Erroneous inclusion of ineligible routes in Section 5311 operating budgets

Performance Data and Contracted Services

DRPT identified abnormalities in the reporting of performance data by JAUNT beginning in FY2019, the first year that the performance based allocation was implemented. We have reviewed the performance data submitted in comparison to information directly from JAUNT's scheduling system. For FY19, overall ridership was overstated by 18% and rural ridership was overstated by 28%, combined with similar overstatements of Revenue Miles (by 29%) and Revenue Hours (by 15%), resulted in the over allocation of State Operating Assistance in FY21 and FY22 and Section 5311 Operating Assistance in FY19, FY20, FY21, and FY22.

Since JAUNT provides transportation services to the general public via the Section 5307 (ADA service for Charlottesville) and Section 5311 (rural general public), as well as human service transportation by contract, a method of allocating transportation costs to various funding programs and services is necessary to properly allocate costs to these different programs. DRPT has determined that the costs and revenues associated with contracted services have been consistently and significantly underreported in allocating costs across these programs. For FY19, JAUNT allocated 8.58% of their costs to agency trips, when the actual share of agency trips was 17.79%. For FY20, JAUNT allocated 6.9% of their costs to agency trips, when the actual share was 15.79%. The under allocation of costs related to the provision of agency trips resulted in the over-allocation of State Operating Assistance in FY21 and FY22 and Section 5311 Operating Assistance in FY19, FY20, FY21, and FY22.

DRPT has calculated the over-allocation of operating assistance to JAUNT as follows, with a total repayment of \$968,640 due to DRPT and a reduction of \$429,163 in operating assistance available to JAUNT for FY22.

	State Operating		5311 Operating
FY21*	\$150,986	FY19	\$344,734
FY22**	\$154,163	FY20	\$366,565
Total	\$305,149	FY21*	\$106,355
		FY22**	\$275,000
		Total	\$1,092,654
* Represents Federal CARES funding			
** Not yet paid to JAUNT, adjustment to allocated funding			

Capital Assets

DRPT has identified that all rolling stock (revenue service and support) owned by JAUNT has been purchased utilizing federal Section 5311 (Rural Transit) funding. Federal regulations (Section 5311 FTA Circular 9040.1g) allow agencies to utilize Section 5311 rolling stock to provide contracted human service trips (Agency Trips), as long as rural transit needs are being fulfilled by the agency. However, federal regulations are very clear that rolling stock purchased with Section 5311 (Rural Transit) funding cannot be utilized to provide trips solely within the urbanized area, which would include the ADA trips provided under agreement with the City of Charlottesville. FTA does not require the maintenance of completely separate fleets, but requires agencies to ensure that their capital replacement policies ensure that funds are being utilized according to all federal eligibility requirements. DRPT's assessment has determined that 32% of the vehicle miles are associated with ADA trips, making nearly a third of JAUNT's fleet ineligible for replacement with Section 5311 capital funding.

DRPT has considered a number of options to bring JAUNT into compliance without impacting services or requiring additional reimbursement. We have determined that canceling the grant for 23 light duty transit vehicles awarded in the FY22 SYIP (\$1.8M federal, \$361K state) will address the issue of non-compliance without immediately impacting service. DRPT is committed to working with JAUNT to develop a mechanism to appropriately allocate the costs of capital and allow JAUNT to reapply for funding in the FY23 grant cycle.

Inclusion of Ineligible Routes

DRPT's review of JAUNT's current services has identified two routes that are ineligible for Section 5311 operating assistance: Earlysville Link and 29 North Link. These routes are designed to primarily serve individuals within the Charlottesville urbanized area, and should not be supported with Section 5311 funding.

DRPT has determined that the amount of operating assistance associated with these two specific routes is not significant enough to require reimbursement. However, it is an element of program compliance that will need to be evaluated again, along with the allocation of costs, following release of urbanized area boundary maps based on the 2020 Census.

Additional Considerations

DRPT has also identified a number of other areas of concern in conducting this review. DRPT will require JAUNT to develop a new Transit Development Plan, using properly qualified consultant services, to adequately plan for service and identify long term capital needs. The new TDP should be completed by JAUNT prior to submission of FY24 grant applications. DRPT stands ready to provide technical assistance, with our staff and funding, to support this endeavor to help JAUNT realign their operations.

JAUNT's contracts for ADA and human service contract trips are outdated and should be updated. In updating these contracts/agreements, JAUNT should ensure that the contracts appropriately address the costs associated with providing the services and do not adversely impact the provision of rural transit under Section 5311. For example, it costs JAUNT approximately \$80/hour to operate public transit service, yet the contracted service is reimbursed at a much lower rate. Such contracts/agreements should be provided to DRPT for review and concurrence prior to execution by JAUNT. As a reminder, it is a federal requirement that JAUNT fulfill rural public transit commitments prior to undertaking any contracted services.

Finally, JAUNT should evaluate their administrative costs relative to the cost of service. The proportion of JAUNT's budget focused on administration greatly exceeds industry standards. While not specific to the compliance, it was identified by DRPT's consultant as an area of concern.

Existing Capital and Technical Assistance Grants

DRPT is releasing all awarded grants to JAUNT for project execution, with the following exceptions:

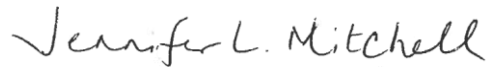
- FY22 grant award for 23 replacement revenue vehicles (Project 42022-08) which is being cancelled by DRPT.
- All expansion revenue vehicles continue to be on hold pending completion of a new Transit Development Plan.

- Technical Assistance Grants for Louisa to Charlottesville Feasibility Study, Facility and Capacity Needs Study, and Electric Vehicle Readiness Study – all of which should be considered as part of re-evaluating service and needs in the new TDP. The funds programmed on these projects will be made available to JAUNT to support the development of the new TDP at a 50% state share.

In closing, the findings of our review are troubling and in need of immediate action by JAUNT to ensure that costs are properly allocated and service commitments fulfilled. This letter and the associated cure for non-compliance will close out DRPT's independent review. However, due to the significance of the issues identified, DRPT has shared all of the information identified and evaluated during the course of the review with the Office of the Attorney General, Office of the State Inspector General, Federal Transit Administration Region 3, and the US Department of Transportation Office of the Inspector General.

Thank you for your cooperation in this review. Please do not hesitate to contact Jennifer DeBruhl, Chief of Public Transportation at Jennifer.DeBruhl@drpt.virginia.gov or by phone at 804-786-1063 if you have any questions or need any technical assistance.

Sincerely,



Jennifer Mitchell