

GREATER LYNCHBURG TRANSIT COMPANY, INC.

BOARD OF DIRECTORS

RESOLUTION NO. 2026-05-21

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE GREATER LYNCHBURG TRANSIT COMPANY, INC. OPPOSING THE PROPOSED DRAW-DOWN OF THE SPECIAL RESERVE FUND IN THE CITY OF LYNCHBURG'S PROPOSED FY2027 BUDGET AND CALLING FOR RENEGOTIATION OF THE MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF LYNCHBURG AND GLTC

WHEREAS, the Greater Lynchburg Transit Company, Inc. ("GLTC") is the public transportation provider for the City of Lynchburg, Virginia providing fixed-route, micro-transit, and paratransit services essential to the mobility, dignity, and workforce participation of Lynchburg residents;

WHEREAS, the City of Lynchburg (the "City") and GLTC entered into a binding Memorandum of Understanding ("MOU"), executed July 18, 2012, governing the financial relationship between the City and GLTC, including the annual operating contribution, local match for capital purchases, disposition of annual operating deficits or surpluses, and the establishment and administration of a Special Reserve Fund to Support Transit Operations ("Reserve Fund");

WHEREAS, pursuant to the MOU between the City and GLTC, the City agrees to annually consider and provide a contribution toward GLTC operating expenses through the City's budget process;

WHEREAS, the MOU further provides that access to the Reserve Fund shall occur only upon a formal request by GLTC as temporary financial assistance, with documentation of the cash shortage and expected repayment timeline, and that the GLTC Board of Directors shall be informed of any such request;

WHEREAS, GLTC further acknowledges that, should extenuating circumstances arise requiring additional funding beyond the adopted budget, GLTC shall submit a formal funding request to the Finance Department for review and presentation to the Lynchburg City Council ("City Council") for consideration;

WHEREAS, the MOU establishes a temporary assistance structure requiring documented repayment — a temporary advance requiring documented repayment to restore the Reserve Fund — and not as a permanent appropriation or discretionary transfer;

WHEREAS, the City Manager’s Proposed FY2027 Budget, as suggested at the City Council Special Called Meeting on March 26, 2026, includes a line item that would reduce the GLTC Reserve Fund from approximately \$1,402,891 to \$102,891, a reduction of approximately \$1,300,000 — through a one-time draw described as funding for current transit needs and a comprehensive multi-modal transportation plan was not initiated by a formal request from GLTC as required by the MOU;

WHEREAS, a remaining reserve balance of \$102,891 represents less than one week of GLTC’s operating costs (approximately \$208,250 per week based on the current annual operating budget of over \$10.8 million), rendering the Reserve Fund operationally meaningless and exposing GLTC to acute financial risk in the event of any unplanned cash shortfall, delayed federal reimbursement, or other operational disruption;

WHEREAS, the proposed draw-down is not directed toward an unplanned cash shortfall as defined by the MOU, and no repayment timeline has been provided as required by the MOU’s loan structure;

WHEREAS, the MOU expressly establishes that the Reserve Fund shall be maintained at a minimum of \$500,000 and no more than six months of the annual budgeted operating subsidy provided by the City, and that the GLTC Board of Directors shall annually review the Reserve Fund;

WHEREAS, the MOU’s \$500,000 reserve minimum was established in 2012 and has never been adjusted for inflation or for the growth of GLTC’s operating budget, which has increased over \$4 million in the intervening years; the original minimum floor — intended to represent meaningful operating liquidity — now represents a substantially diminished real-dollar protection;

WHEREAS, maintaining adequate operating reserves is a recognized best practice in public transportation finance and is essential to preserving service continuity, financial stability, and organizational resilience;

WHEREAS, the GLTC Special Reserve Fund exists to ensure continuity of transit operations during periods of operational disruption, delayed reimbursements, revenue

instability, emergencies, or other unforeseen financial events that could impair the delivery of public transportation services;

WHEREAS, public transit systems regularly experience timing delays associated with federal and state reimbursements, grant disbursements, fuel volatility, vehicle maintenance, and other operational costs, making adequate operating reserves essential to uninterrupted service delivery;

WHEREAS, significant reductions in reserve capacity could ultimately jeopardize service reliability, route stability, workforce retention, and the ability of residents to access employment, healthcare, education, and essential services;

WHEREAS, the City of Lynchburg, GLTC, and the Central Virginia Transportation Planning Organization (“CVTPO”), a program of the Central Virginia Planning District Commission (“CVPDC”), are already active co-partners in the Lynchburg Multimodal Plan, a formal regional planning initiative — publicly launched in August 2025 and funded through CVTPO — to develop strategies for pedestrian, bicycle, and transit connectivity throughout Lynchburg City;

WHEREAS, the proposed use of part of the funds (\$500,000), as suggested at the City Council Special Called Meeting on March 26, 2026, for the purpose of a multimodal plan at a time when the City and GLTC are already engaged with community and state partners, will substantially duplicate planning efforts already underway through the Lynchburg Multimodal Plan;

WHEREAS, during the joint City Council–GLTC Work Session on April 14, 2026, the potential use of approximately \$500,000 for financial audit activities, operational studies, and grant-development initiatives was publicly discussed in connection with the proposed reserve fund draw-down;

WHEREAS, subsequent internal communication between GLTC and COL on May 14, 2026, have suggested that some or all of these proposed expenditures may instead be funded through the City’s General Fund; however, as of the date of this Resolution, no amended public budget document or formal revision to the City Manager’s Proposed FY2027 Budget has been presented reflecting such changes;

WHEREAS, the Board believes any proposed operational study, financial audit, or grant-development initiative involving substantial public expenditures should first be evaluated through a clearly defined scope, cost-benefit analysis, and identified funding source prior to the commitment of transit reserve funds;

WHEREAS, multimodal transportation planning — encompassing pedestrian, bicycle, and broader connectivity infrastructure — constitutes a citywide planning function that benefits the general public and serves populations and purposes well beyond the transit system; to draw down GLTC-specific reserves to fund planning activities that are municipal in nature and scope would set a precedent that inappropriately shifts the financial burden of general city planning onto a transit fund established solely to protect transit operational continuity;

WHEREAS, the GLTC Board of Directors received no formal notice from the City of Lynchburg prior to the proposed \$1,300,000 reserve draw-down appearing as a line item in the City Manager’s Proposed FY2027 Budget presented on March 26, 2026; this absence of prior notification raises substantial concerns regarding compliance with the MOU’s notice and process provisions which contemplate that the GLTC Board of Directors shall be informed of any request to access the Reserve Fund;

WHEREAS, the Board of Directors of GLTC has a fiduciary obligation to the riders, employees, and community served by GLTC to ensure the financial stability and operational continuity of the transit system;

WHEREAS, the Board recognizes the significant fiscal pressures facing the City and affirms its commitment to continued collaboration with the City Council and City administration in pursuit of sustainable transit funding and responsible stewardship of public resources;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Greater Lynchburg Transit Company, Inc. hereby opposes the proposed \$1,300,000 draw-down of the GLTC Special Reserve Fund as included in the City Manager’s Proposed FY2027 Budget, on the grounds that it is inconsistent with the 2012 Memorandum of Understanding (“MOU”), was not initiated through the procedures established therein, does not include a repayment timeline consistent with the Reserve Fund’s loan structure, and would significantly reduce the Reserve Fund below levels necessary to maintain adequate operating liquidity for GLTC services;

BE IT FURTHER RESOLVED that the Board of Directors firmly opposes using the GLTC Special Reserve Fund for city budgeting and foreseen operational expenses;

BE IT FURTHER RESOLVED that the Board of Directors requests that the Lynchburg City Council remove or substantially revise the proposed GLTC Reserve Fund draw-down prior to adoption of the FY2027 Budget, and that the City and GLTC work collaboratively to identify alternative funding mechanisms for any transit-related initiatives not already addressed through the existing Lynchburg Multimodal Plan or other established regional planning efforts or funding studies;

BE IT FURTHER RESOLVED that the Board of Directors does not approve the proposed allocation of \$500,000 from the GLTC Special Reserve Fund for multimodal planning, operational studies, financial audit activities, grant exploration, or related purposes at this time, and requests that any such initiatives be evaluated within the context of existing fiscal priorities and appropriately sourced funding mechanisms;

BE IT FURTHER RESOLVED that the Board of Directors formally calls for the renegotiation of the 2012 Memorandum of Understanding between the City of Lynchburg and GLTC to include updated provisions governing the Reserve Fund, including:

- 1) an updated minimum reserve balance reflecting current operating conditions and sufficient to maintain at least one month of operating liquidity;
- 2) inflation-adjusted standards for reserve adequacy subject to periodic review;
- 3) clear procedures governing any City-initiated use of Reserve Funds, including a required repayment timeline consistent with the Reserve Fund's loan structure; and
- 4) provisions requiring GLTC Board participation in and consent to any material modification of Reserve Fund terms or balances.

BE IT FURTHER RESOLVED that the Board requests the establishment of a joint City–GLTC review process for any future proposed use, transfer, or reduction of the Special Reserve Fund prior to inclusion in any proposed City budget;

BE IT FURTHER RESOLVED that the Chair of the Board of Directors, or their designee, is authorized to transmit this Resolution to the Lynchburg City Council and the City Manager, and to request clarification regarding the status, use, and accounting of the GLTC Special Reserve Fund as necessary to support the Board's fiduciary oversight responsibilities.

ADOPTED by the Board of Directors of the Greater Lynchburg Transit Company, Inc. on this 21st day of May, 2026.

Ayes: _____

Nays: _____

Abstentions: _____

Absent: _____

Cameron E. C. Howe, *President*

Benjamin Blanks, *Treasurer / Secretary*