

STAFF RECOMMENDATION: **ADOPTING THE FY 2021 OPERATING BUDGET IN THE AMOUNT OF \$38,980,891 AND CAPITAL BUDGET IN THE AMOUNT OF \$6,162,765**

LEAD STAFF: **DAMARIS GALVAN, SERVICE DEVELOPMENT MANAGER
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FINANCIAL IMPACT: **\$38,980,891 – OPERATING
\$6,162,765 – CAPITAL**

BACKGROUND:

The proposed operating and capital budget for Fiscal Year (FY) 2021 and funding outlook were presented at a special meeting of RTD's Board of Directors on May 15, 2020. At the Finance and Audit Committee meeting of the RTD Board of Directors on June 8, 2020 a lower level of operating budget and higher level of capital budget were presented for reasons discussed below. Upon Board approval, RTD's operating and capital budgets will provide the authority to spend effective July 1, 2020, and ends June 30, 2021.

DISCUSSION:

Due to the impact of COVID-19, FY 2021 will be a challenging year. To ensure sustainable operations, RTD will continue to closely monitor and respond to changes in the economy, including impacts to public transit ridership. RTD will be implementing various cost saving measures to preserve as much funding as possible beyond FY 2021.

Funding Outlook

RTD relies primarily on its share of tax revenues to fund its operations. Due to the pandemic, RTD is estimating a severe decline in its tax revenue sources. The following describes the fiscal impact by funding program:

Transportation Development Act (TDA)

TDA funds are administered by the California Department of Transportation (Caltrans) and implemented by the San Joaquin Council of Governments (SJCOG). The TDA includes two funding sources, the Local Transportation Fund (LTF) and State Transit Assistance (STA). SJCOG is projecting a 50% reduction for the first quarter of FY 2021, followed by a 25% reduction for the remainder of the fiscal year, an annual average of 31.25%. As a prudent measure, RTD's budget estimates a more conservative decrease of 40% in LTF and STA revenues for the entire fiscal year.

Low Carbon Transportation Operations Program (LCTOP)

LCTOP is one of several programs established in 2014 by Senate Bill 862. LCTOP provides operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with priority on serving disadvantaged communities. RTD does not expect a reduction in this revenue source as the FY 2020 allocation was a result of an already completed Cap and Trade auction.

Measure K

Measure K is a voter approved, half-cent sales tax for transportation projects in the San Joaquin region. RTD receives funding under contracts administered by the SJCOG. On May 28, 2020, the SJCOG took action on an amendment to its Measure K strategic plan that halted new contracts for bus capital projects but provided for a one-year extension for the bus operating contract at the same levels as provided in FY 2020. RTD has budgeted this operating revenue accordingly.

Federal Formula Funding

RTD receives annual apportionments from the Federal Transit Administration (FTA) through the Section 5307 Urbanized Area Formula Program, Section 5311 Rural Area Formula Program, and Section 5339 Bus and Bus Facilities Formula Program. For FY 21, RTD is budgeting revenues from these programs at FY 2020 levels. Congress is currently negotiating the next surface transportation reauthorization that will replace the Fixing America's Surface Transportation (FAST) Act which sunsets September 30, 2020. It is anticipated that funding will continue under a continuing resolution beginning October 1, 2020.

Federal Coronavirus Aid Relief and Economic Security (CARES) Act

FTA allocated \$25 billion for planning, capital, and operating expenses to prevent, prepare for, and respond to the COVID-19 pandemic through its existing Section 5307 and Section 5311 programs.

- RTD's apportionment is \$16,257,304. RTD has submitted its funding application to FTA and it is progressing through an expedited review process. The funding will be applied to RTD's operations, filling the gap for the expected loss of revenues. A portion will be applied to the remainder of FY 2020 with the majority being used to support critical operations in FY 2021.
- RTD will also receive a rural area allocation of \$1,308,034 through Caltrans. RTD is applying \$308,034 to FY 2021 operations and will program \$1,000,000 for FY 2022 for eligible rural service expenses.

Temporary Service Modifications

Following the state's stay-at-home order, RTD implemented a temporary service change to operate its weekend service schedule seven days a week in order to respond to the reduction of ridership. RTD also deployed shadow shuttles to duplicate higher-volume trips to accommodate for appropriate social distancing.

RTD has a plan to reintroduce service levels as sectors of the state begin to reopen. Service changes will aim to respond to the expected lower ridership and revenues levels in the near term with the hopes that both will gradually return to normal levels in the longer term. RTD is aiming to implement the temporary service design by the time school resumes in the fall, on August 2, 2020.

In order to develop the service modifications for August, RTD staff began by conducting an analysis of the performance of its routes prior to the ridership decline due to the pandemic. Key destinations, geographical coverage, and school schedules were also taken into consideration. Lastly, RTD staff ensured that service design was in alignment with funding requirements. The goal was to strategically reduce service in order to reduce cost and support the sustainability of the service and at the same time maintain connectivity, service essential destinations, and remain a viable service for our passengers. The service modifications included both service reductions as well as modifications provide coverage where routes were reduced. Overall, the new service design resulted in a 15% reduction of service hours for RTD's fixed-route services. This is the basis for the expense reduction in the FY 2021 operating budget as it relates to service levels.

RTD has a plan for modifications to its mobility programs, redesigning the Van Go! service parameters and by introducing subsidy program for Transportation Network Companies (Uber/Lyft) as an optional alternative for ambulatory ADA-Certified passengers to the Dial-A-Ride service.

Van Go! on-demand trips can currently occur within four zones covering the county. In order to provide trips to residents who may not have access to fixed-route service provided within the cities, the new service will require that at least the origin or destination be within the unincorporated areas of the county. This will ensure that service is available to county residents who do not have access to traditional bus routes. The four zones boundaries will be eliminated and trips can be taken across the county without transfers. The fare structure will be changed from a flat-fare to a mileage-based fare system.

RTD will also introduce a subsidy program for Transportation Network Companies (Uber/Lyft) as an optional alternative for ambulatory ADA-Certified passengers to the Dial-A-Ride service. This service will be more cost effective for RTD than providing Dial-A-Ride trips for eligible passenger who prefer the flexibility of on-demand trips in comparison to making a reservation for a Dial-A-Ride trip. The cost of this service will also be mileage-based, and all ADA-Certified passenger will still have access to the mandated ADA service.

Operating Budget

RTD's proposed FY 2021 operating budget is \$38,980,891. The budget reflects a service level that is appropriate for the current environment.

In addition to the revenue assumptions described in the funding outlook, the FY 2021 budget assumes a drastic drop in fare revenues due to declining ridership. Schools are anticipated to make use of online classes and passengers are expected to practice social distancing and change travel habits.

RTD will ensure the safety of frontline employees and passengers by complying with protective measures:

- Physical barriers between operators and passengers.
- Issuance of Personal Protective Equipment, including masks, to both RTD employees and passengers.
- Campaigns to encourage passengers to maintain social distancing and to wear facial coverings.
- Enhanced cleaning and sanitizing protocols on RTD buses and facilities.
- Symptoms and temperature checks for RTD employees.

In addition to these measures, RTD will push out an ongoing educational campaign to provide information on these changes to our passengers to maintain their safety in using public transit.

FY 2021 projected expenses were calculated using the following:

- No increase in pay rates, except for progression increases of represented employees.
- 5% increase in medical premiums.
- 1.88% decrease in pension contribution based on proposed rate from an actuarial study.
- Mandatory usage of vacation accrued during the year for non-represented employees.
- Increase in security services.
- Reduced administrative staffing levels.
- \$2.75 per gallon fuel cost.
- 15% approximate reduction in revenue hours.
- Eliminated Dial-A-Ride service beyond the minimum requirements of the ADA.
- Introduced more Dial-A-Ride options through Transportation Network Companies (TNC).
- Restructured the VanGo! service.

Proposed Fiscal Year 2021 Operating Budget

<u>Description</u>	<u>FY20 Budget</u>	<u>Proposed FY21 Budget</u>	<u>Increase (Decrease)</u>	
Revenue				
Passenger Fares	\$ 4,325,379	\$ 1,093,606	\$ (3,231,773)	-74.7%
Auxiliary Transportation Revenues	132,000	107,955	(24,045)	-18.2%
Non Transportation	299,706	311,059	11,353	3.8%
Property Tax	1,121,237	1,009,114	(112,123)	-10.0%
Measure K	6,113,512	5,708,775	(404,737)	-6.6%
LCTOP	1,055,070	1,173,520	118,450	11.2%
TDA-STA	1,330,262	1,800,000	469,738	35.3%
TDA-LTF	17,954,927	12,051,425	(5,903,502)	-32.9%
Federal 5307	5,324,078	5,680,263	356,185	6.7%
Federal 5310		249,529	249,529	100.0%
Federal 5311	359,783	366,451	6,668	1.9%
Total Revenue	38,015,954	29,551,698	(8,464,256)	-22.3%
Provision for Reserves per Policy	(400,000)	(400,000)		
Total Revenue for Operations	\$ 37,615,954	\$ 29,151,698	\$ (8,464,256)	-22.5%
Expenses				
Wages & Fringes	\$ 22,433,677	\$ 21,784,823	\$ (648,854)	-2.9%
Services	3,333,299	3,153,685	(179,614)	-5.4%
Materials & Supplies	2,375,411	2,543,689	168,278	7.1%
Utilities	1,150,700	1,160,143	9,443	0.8%
Insurance	919,121	1,121,169	202,048	22.0%
Taxes & Licenses	296,758	275,147	(21,611)	-7.3%
Purchased Transportation	10,299,194	7,765,918	(2,533,276)	-24.6%
Operating Contingency		200,000	200,000	
Miscellaneous Expenditures	1,571,860	976,317	(595,543)	-37.9%
Total Expenses	\$ 42,380,020	\$ 38,980,891	\$ (3,399,129)	-8.0%
Deficit to be covered by CARES Act Grant	\$ (4,764,066)	(9,829,193)		
Federal 5307 CARES Act	4,764,066	9,521,159		
Federal 5311 CARES Act	-	308,034		
CARES Act Grants applied to operations	\$ 4,764,066	\$ 9,829,193		
Surplus (Deficit)	-	(0)		

Capital Budget

The FY 2021 capital budget has an emphasis on items that accomplish the following:

- Prevent, prepare for, and respond to the COVID-19 pandemic.
- Support a federal, state, and local initiatives to reduce greenhouse gas emissions.
- Maintain high standards for safety and security of RTD passengers and employees.
- Improve customer experience with technology and facility improvements.
- Implement innovative projects to meet the changing mobility needs of the public.
- Keep RTD's infrastructure and rolling stock in a state of good repair.
- Evaluate the current condition of and plan for improvement to rural services.

Proposed Fiscal Year 2021 Capital Budget

Projected Revenue Sources by Program		Type	Amount	% of Total Revenue
Federal				
	FTA 5339 Bus & Bus Facilities	Formula	653,778	10.6%
	FTA 5307 Urbanized Area Formula Program	Formula	537,377	8.7%
	FTA 5311 Rural Area Formula Program	Formula	176,940	2.9%
	FTA 5312 Integrated Mobility Innovation (IMI) Program	Discretionary	306,000	5.0%
	FEMA Public Assistance Program	Discretionary	1,263,937	20.5%
		Total Federal	\$ 2,938,032	47.7%
State				
	SB1 State of Good Repair	Formula	686,790	11.1%
	State Transit Assistance (STA)	Formula	2,393,943	38.8%
		Total State	\$ 3,080,733	50.0%
Local				
	Match to FTA 5312 Integrated Mobility Innovation (IMI) Program	Discretionary	144,000	2.3%
		Total State	\$ 144,000	2.3%
Total FY 2021 Projected Capital Revenues			\$ 6,162,765	100.0%
Capital Projects by Category			Amount	% of Total Expenses
COVID-19 Response Capital Projects: Cleaning/sanitizing equipment, bus operator barriers on all buses, facility improvements, HVAC upgrades			1,685,250	27.35%
Bus Component Rebuild and Parts Over \$500: Rebuild & replace engines, transmissions, and other major components			300,000	4.87%
Communication and IT Equipment: Bus surveillance camera upgrades, fare media/mobile payment upgrades, cyber security protection, Wi-Fi upgrades			2,595,544	42.12%
Facilities Improvement and Upgrades: Shelter solar lighting, maintenance bay fans, HTS roof replacement			242,500	3.93%
Maintenance Equipment: Specialized tools, diagnostic equipment			313,421	5.09%
Non-Revenue Fleet Vehicles: Replace 2 non-revenue vehicles.			65,400	1.06%
Safety and Security: Real-time incident reporting, bus training simulator, business continuity improvements			310,650	5.04%
Revenue Vehicle Purchase: Additional cost to purchase two new 45' coaches for commuter service using remaining funding from FTA grant			150,000	2.43%
Tire Lease: Tire lease for the entire bus fleet			300,000	4.87%
Planning: Rural Service Redesign			200,000	3.25%
Total FY 2021 Proposed Capital Projects			\$ 6,162,765	100.00%

RESOLUTION NO. _____
DATED: JUNE 19, 2020

RESOLUTION ADOPTING THE FY 2021 OPERATING BUDGET IN THE AMOUNT OF \$38,980,891 AND
CAPITAL BUDGET IN THE AMOUNT OF \$6,162,765

RESOLVED AND ORDERED by the Board of Directors as follows:

- 1) That the FY 2021 operating budget in the amount of \$38,980,891 and capital budget in the amount of \$6,162,765 be, and hereby are, approved; and
- 2) That the CEO be, and hereby is, authorized and directed to carry out the programs as outlined within the Budget.