

Minutes

RTA Operational Planning & Infrastructure Committee

9:04 a.m. November 16, 2021

Committee Members: Moss (Vice Chair), Byrne, Pellot, Serrano

Other Board members: Duarte, Koomar, Lucas, McCall, Weiss **Not present:** Joyce

Staff: Benford, Birdsong, Caver, Dangelo, Freilich, Garofoli, Gautam, Johnson, Kirkland, Krecic, Miller, Mothes, Petit, Schipper, Sutula, Talley, Togher, Walker-Minor,

Public: Gibbons, Loh, Pinkney-Butts, Rodriquez

The meeting was called to order at 9:04 a.m. There were four (4) committee members present.

This meeting was live-streamed on RTA's Facebook page (www.facebook.com/rideRTA) for staff and members of the public. Members of the public were allowed to attend in-person.

Based on Centers for Disease Control (CDC) guidance to continue to avoid large events and gatherings and Ohio Department of Public Health advice that businesses and other entities may continue to require mitigation measures, as well as RTA's interest in protecting community and employee health and safety, several measures were put in place for in-person attendance, which are spelled out in the meeting notice.

2022 Service Plan

Joel Freilich, Director of Service Management and Jeff Macko, Planning Team Leader gave the presentation. The 2022 Service Management Plan (SMP) is aligned with the GM's recommended 2022 budget. Per Board policy, the SMP reports current bus route performance and outlines plans for the coming year. The COVID-19 pandemic continues to affect ridership so it is too soon to assess the success of NEXT GEN.

One of the early implementation items of our service for 2022 will be the installation of a new weekday daytime route (#35) starting Dec. 13, 2021 with the Dec. 12 service change. This re-establishes a direct link between Windermere hub and MetroHealth Hospital at Severance Town Center. It provides service adjacent to McGregor Home in East Cleveland, which has more than 100 daytime shift employees. It will bring our service 4/10 of a mile closer to those jobs. It will re-activate stops on E. 123, Arlington and E. 125. They will continue monitoring NEXT GEN service. Throughout the year, they will do the following routine changes:

- Respond to road and bridge construction projects
- Adjustments for major downtown building construction
 - Examples: 55 Public Square, Sherwin-Williams HQ
- Provide temporary service for rail construction projects and major special events
- Bus stop safety adjustments and informational signs
- **NEW** - Improvements to transit waiting environments on priority corridors
- Continue to focus on service reliability

In the 2021 Bus Route Performance, Service Management Plan details 40 routes. Ten perform in lowest quartile of their route category. Ridership and productivity is still low due to COVID-19. All routes will be monitored for productivity in the post-redesign, post-COVID environment. A few

indicators of preliminary success for the NextGen service change include the three routes performing well in their peer group:

- #10 – improved frequency and reach – from E. 105 out to the eastern County Line
- #22 – improved frequency and reach – covering portions of Lorain and extending out to Fairview Park
- #31 – improved job access to/from Windermere hub – to jobs along St. Clair and Euclid

He showed a map of what the service looked like prior to NextGen and after. Fifteen minute and better service and 30-minute service or better improved. Some examples of Next Gen success include the following. A Hough neighborhood resident lives at E. 55 & Lexington. Sunday 9 a.m. shift start at Hillcrest Hospital or Walmart. To avoid being late for work, what time does she need to leave home? Before NEXT GEN: Leave home at 6:45 am. Post NEXT GEN: Leave home at 7:25 am. How did NEXT GEN save her 40 minutes? Next Gen merged routes to eliminate need to transfer and improved frequency near home and near work.

Ms. Duarte likes the improved timing of the buses. Riders also speak of the importance of how clean and safe the bus shelters are. Make sure we look at safety especially early in the morning.

Budget Presentation

Kay Sutula, Director of the Office of Management & Budget gave the presentation. Today's presentation will be on the 2022 Proposed Budget and requested amendments to the Reserve Fund, General Fund and FY 2022 Capital Improvement Plan.

Today's agenda will include the following:

- Budget Schedule
- Economic Assumptions
- FY 2022 Proposed Budget
- Proposed amendments
 - FY 2021 – Reserve – adding a Revenue Stabilization Subfund
 - FY 2021 – increasing the transfer to the Reserve Fund
 - FY 2022 Capital Improvement Plan
- Public Hearing

In May, they presented the 2022 Capital Improvement Plan, which was adopted by the Board. They submit this earlier in the year in order to provide our Capital needs to NOACA, ODOT, and FTA in time for the 2022 Fiscal Year. In July, they presented the 2022 Tax Budget to the Operational Planning & Infrastructure Committee, which was adopted by the Board on July 27th. In August, they began the General Fund Budget Development for Fiscal Year 2022. Today, they will present the Proposed 2022 General Fund Budget, which includes the Operating Budget and Transfers to other Funds. A public hearing will also be held regarding the Proposed 2022 General Fund Budget. They will also present the requested amendments to the FY 2021 General and Reserve Funds and FY 2022 CIP. In December, they will again present the Proposed 2022 General Fund Budget, and the proposed amendments. A second public hearing will be held. They will then recommend that the committee present the Proposed 2022 budget and amendments to the Full Board for adoption on December 21st.

The COVID-19 virus has presented challenges over the past year and a half. On-going shortages of raw materials (such as aluminum alloys) and computer chips, as well as slower supply chain deliveries are expected to continue in 2022. This will affect the auto and bus manufacturers, as

aluminum alloys containing magnesium appear in almost every component in cars and buses (body panels, gearboxes, seat frames, etc.). Ridership and Passenger Fare revenue are projected to increase at a modest rate in 2022, compared to post-COVID-19 levels. The Federal Reserve Bank and Moody's Analytics expect interest rates to increase between 2.2% and 4.0% by year-end 2022. Inflation is estimated to increase. The Federal Open Market Committee (FOMC) states that the increases in inflation and interest rates will help to stabilize prices and help to expand the economy as market conditions slowly improve. Currently, the Authority has received an average yield of 0.2% on its cash investments.

Actual Passenger Fares received through September 2021 totaled \$15.8 million. This is 24% below budget. They are projecting Passenger Fares to end the year at \$21.5 million. Total Passenger Fares for the Proposed 2022 Budget are projected at \$21.7 million. Sales & Use tax through October totaled \$198.2 million. The year-end projection is \$238.2 million. The estimated revenues for the Proposed 2022 Budget are estimated at \$243.0 million. These estimates are conservative. Reimbursed Expenditures includes Preventive Maintenance Reimbursement, Force Account Labor reimbursement, and reimbursements for fuel tax and other miscellaneous items. For the proposed 2022 Budget, reimbursed expenditures are projected at \$5 million. The PM reimbursement is budgeted at \$1 million and all other funding will be allocated to other projects in the Capital Improvement Fund. (PM Reimbursement: \$16.5 million).

The Authority was awarded approximately \$67.4 million through the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and \$136 million of Federal Funding through the American Recovery Program (ARP). In 2021, all of the CRRSAA funding has been drawn down and \$54.8 million of the ARP funding has been drawn down. In 2022, the remaining \$81.2 million of ARP funding will be drawn down. This funding is to help supplement the decline in passenger fare and added expenses due to the pandemic. Total Revenues for 2021 is estimated at \$403.4 million. For the Proposed 2022 Budget, total revenues are projected at \$354.4 million.

The Revenue for the 2022 Budget totals \$354.4 million. Of which, the largest three categories are:

- 68.4% - Sales & Use Tax receipts
- 6.2% - Passenger Fares
- 23.0% - Federal Assistance - ARP

On the expenditure side for 2021 they are proposing an amendment to the Reserve Fund, adding a Revenue Stabilization subfund and increasing the transfer to the Reserve Fund to the Revenue Stabilization Account by \$85 million. This is in line with the plan we presented in May 2021 of how the unrestricted funds resulting from the stimulus funding would be used. That strategic plan stated:

* Debt payoff:	\$60 million (completed)
* Operating Support:	\$99 million (\$85 million)
* Capital:	\$156 million
Total	\$315 million

This \$85 million will be transferred to provide support to the Operating Budget, providing stability and offset the decline in passenger fares and other revenues through 2026. The Federal Stimulus funding from CARES Act, CRRSAA, and ARP, were designed to help transit authorities recover from the loss of passenger fare revenue and increases in costs of sanitizing and cleaning. This account would hold the passenger fare revenue lost from the pandemic until it is needed to maintain the 1.0 month ending balance in the General Fund.

For 2022, Salaries and Overtime are estimated at \$208.9 million and account for 44% of RTA's General Fund Expenses. Eighteen positions have been added, which include 11 for the operations

and 7 Administrative positions. Total Payroll, which includes payroll taxes and fringes, are estimated to increase by 6.6%, largely due to an increase in hospitalization and prescription costs, wage increases and the 18 new positions.

The Energy Price Risk Management Program has helped to stabilize costs of fuel. The Authority's diesel Fuel usage has decreased over the past several years due to implementing more CNG buses into service and retiring older diesel vehicles. Fuel and Utilities is budgeted at \$14.6 million. Inventory is projected at \$13.1 million, or 3.8% of General Fund expenditures. The Supply Chain Management section has helped the Authority to maintain predictive maintenance repairs on the Authority's newer fleets and carry out major purchases for supplies and equipment during the Pandemic. The main drivers of the Services and Materials category are service and maintenance contracts, equipment and other miscellaneous supplies. This category is projected at \$21.9 million for the proposed 2022 Budget, or 6.4% of all expenditures.

Purchased Transportation/ADA is projected at \$9.2 million. This increase in 2022 is due to contractual Agreements. Transfers to other Funds are budgeted at \$65.1 million. This includes a request to transfer an additional \$25 million to the Capital Improvement Program. These transfers are for specific set-asides for Bond Retirement, Insurance, Supplemental Pension, Capital Improvement, and Reserve Funds. These transfers are to support the expected expenses and maintain the recommended fund balances.

For FY 2022, we have 2,372 positions budgeted. This is an increase of 18 positions from FY 2021. These positions include 11 positions for the operations: laborers, operator trainer, dispatcher; and 7 administrative positions. (87.8% of the budgeted positions are in the Operations Division). Total expenditures for the 2022 Budget is projected at \$399.9 million, which includes \$274.8 million for Operating expenditures and \$65.1 million for transfers to other funds. Salaries & Overtime and Payroll Taxes and Fringes remain the top 3 largest categories at 44.2%, 17.3% and 19.2%, respectively.

Total expenditures against total revenues for 2022 has a loss of \$1.6 million. Federal Stimulus Funding received in 2020, 2021, and 2022 will help to offset these losses and provide stability. Preventive Maintenance reimbursement for 2022 through 2024 (General Fund revenue) will be strategically used for priority projects. Transfers to other funds are to support the expenses and maintain the recommended ending balances for Insurance, Supplemental Pension, Bond Retirement, Capital Improvement, and Reserve Funds. We are requesting an additional \$85 million appropriation for FY 2021 to increase the transfer to the Reserve Fund for the new Revenue Stabilization Fund. For the 2022 Budget, transfers are projected at \$65.1 million. After factoring in the beginning balance for FY 2021, the available ending balance is estimated at \$70.3 million. For the FY 2022 budget, the ending balance is budgeted at \$84.8 million. The Federal Stimulus funding is doing what it was planned to do. It will help to offset the losses in revenue due to the COVID pandemic through December 2024 and beyond.

The FY 2022 Capital Improvement Plan was approved by the Board of Trustees on May 25, 2021. The Capital Improvement Plan provides for the purchase, maintenance, and improvement of the Authority's capital assets through a programmed allocation of available financial resources. An additional \$24 million appropriation is requested to the FY 2022 CIP for the Rail Car Replacement Program.

Mayor Koomar said the \$85 million Reserve Fund is a great idea. He asked if that is different from the \$81 million. Ms. Sutula said the \$81 million is the federal assistance ARP funding in 2022. The \$85 million is in 2021. Mayor Weiss gave kudos to the staff for budgeting for the 27th pay. He asked if it is prorata or if it is prefunded and what the thinking was behind the rail car funding amount. Ms. Sutula

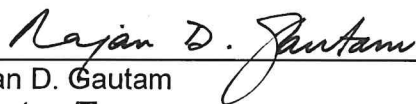
said it is prefunded. It happens every 12 years. They want to ensure they have enough funding for the rail cars when all the bids come back. He also asked if the personnel cost are budgeted based off a Jan. 1 hiring date or when the positions gets filled. She said they work with HR and the departments to estimate when the positions will be filled. Mayor Koomar asked how items like fuel are budgeted in relation to inflation. She said they work with FOMC, Federal Reserve, Moody's analytics to get an estimate of what inflation and interest rates will be for the year.

Ms. Moss asked if the recently signed Infrastructure Bill is factored into the budget. Ms. Sutula said they do not know what will be allocated to transit systems yet. Mr. Gautam added that the bill was signed yesterday for \$1.2 trillion. Roughly, \$39 billion is allocated for transit. It is too early to determine what RTA's portion will be. It may take a few months before the allocations are made available. The DOT Secretary said they expect the funds to be released in 6-7 months. The budget will be amended once the money becomes available. She also asked about the payroll increase and if that includes the Operations Department's Transit Ambassador Program. Dr. Caver said the Ambassador Program is not an increase in the budget because they are using funds for Transit Police positions that have not been hired. The operations positions are for laborers on the rail system and maintenance employees. Ms. Duarte requested the budget include tools needed to connect with the community.

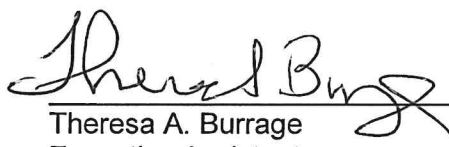
9:40 a.m. - It was moved by Mr. Serrano, seconded by Ms. Pellot and approved to suspend the committee meeting to start the Public Hearing.

9:48 a.m. - It was moved by Mr. Serrano, seconded by Ms. Pellot and to reconvene the committee meeting.

The meeting was adjourned at 9:49 a.m.



Rajan D. Gautam
Secretary/Treasurer



Theresa A. Burrage
Executive Assistant