

## Minutes

RTA Operational Planning & Infrastructure Committee Meeting  
9:00 a.m., November 13, 2018

**Committee Members:** Lucas (Acting Chair), Elkins, Joyce, Moss and Serrano.

**Other Board Members:** Bibb, Clough, McCall

**Not present:** Welo

**Also Present:** Benford, Bitto, Blout, Brooks-Williams, Brown, Calabrese, Caver, Ciesla, Cranford, Dancy, Dangelo, Davis, Draper, Faith, Feliciano, Ferraro, Fields, Flannery, Ford, Garofoli, Gautam, Gay, Gray, Harris, Jaszczak, Johnson, Jones, Kinnear, Lewis, Loh, Macko, McGrady, Palagyi, Pickett, Pinkney, Ponder, Reglus, Schipper, Schnear, Scott, Shaffiff, Smith, Stocking, Stover, Sutula, Togher, Vukmanic, Weil, Wiehe, Wilson, Winn, Worley-Bell, Young, Zeller.

Rev. Lucas was the acting chair in Mayor Welo's absence. He called the meeting to order at 9:00 a.m. The secretary called the roll and reported that four (4) committee members were present. Mayor Elkins arrived after the roll call.

### RFP Procurement: Hi-Rail Utility Vehicle

Nick Kinnear, supervisor of traction power and Mabry Harris, procurement contract administrator, made the presentation. The Overhead Catenary Repair vehicle is a specialized, electrical, insulated and heavy duty truck equipped with a two-man bucket, platform and hi-rail equipment used to repair 600V DC powered overhead rail line. It is in need of replacing. The existing equipment was purchased in 1988, is beyond its useful life and is needed to maintain the State of Good Repair for the system. To maintain safe conditions of the overhead catenary power and to sustain reliable and cost effective service of the rail line, a new vehicle is required. Delivery of the vehicle is expected to be 12 months after Notice to Proceed.

An IFB was issued March 12, 2018. It was downloaded by 21 interested parties. No responsive bids were received by April 26, 2018 so a determination was made to proceed with a RFP. The RFP was issued August 8, 2018 and downloaded by 23 parties. One proposal was received September 6, 2018. Staff contacted the parties that downloaded the RFP to find out why they did not propose. Reasons were inexperience building specialty vehicles with critical insulation requirements and not wanting to invest time and money to engineer one specialty vehicle. The evaluation panel consisted of various internal departments using evaluation criteria. The recommended vendor is Valley Ford Truck, Inc. in Cleveland, Ohio. The DBE goal is 0% due to lack of certified DBE firms. Their current client base consist of RTA, City of Cleveland, First Energy, Baltimore Gas and others. Staff requests that the Operational Planning & Infrastructure Committee recommend to the Board of Trustees the award of a contract to Valley Ford Truck, Inc., for the purchase of one Rail Overhead Catenary Repair vehicle in an amount not to exceed \$337,998.32.

Ms. Moss asked for the budget. Ms. Dangelo said it was \$300,000 based upon how long it's been since the vehicle was replaced and research. The contract was negotiated and is 11% over the estimate. Mr. Serrano asked how many of these type of vehicles does RTA have and asked if the vendor is designing the truck. Nick stated the agency has three cars including this replacement. Valley Ford is having the truck specially made with an extended frame by SMF in Pennsylvania. The rail gear will be built from a company from Detroit. Mr. Bibb asked what the expected life will be. Nick said it would be 30 or more years.

Rev. Lucas asked for a motion to move this to the full board. It was moved by Mr. Serrano, seconded by Ms. Moss and approved by unanimous vote.

### ESMS

Mike Schipper, deputy general manager of engineering and project management, made the presentation. This is an update on the Environmental Sustainability Management System. This update is made every six months. This is a program that has been running since 2013. At that time, the focus was on Central Bus Maintenance Facility (CBMF). CBMF was ISO 14001 certified in 2015 with two renewals after that. The ISO 14001 is an international standard for the ESMS. Similarly, manufacturing has ISO 9000 and Quality Control has 9001. This was the first facility that became certified in Ohio. The certification has run out as they are transitioning to a new standard. The focus is also on the Hayden and Triskett bus garages and implementation at the Main Office is upcoming. The new standard allows for multiple sites to be under one umbrella.

Since the last update, the former OMB director, Tom Raguz left the agency, so Mike was reappointed to lead the program. A program manager was hired. They will oversee this program and other program management programs. They will start in December. They will be responsible for the ISO 14001, overall sustainability and Partnership for Excellence activities. Heather Schnear who was formally an assistant in Executive was moved into OMB to assist with document record keeping. Core teams are being reestablished at the different sites due to staff turnover. The new members are currently being trained. New parts of the standard has organization procedures as well as facility-specific procedures. It has more emphases on sustainability, protecting the environment, performance excellence and life cycle cost analysis, which is new to the standard. It requires the ESMS to be integrated into RTA business practices.

The hallmark of the program is that through a standard procedure, each facility has emphasis areas they target for 12-24 months for continuous improvement. CBM is looking at electricity consumption, paint, primer and thinners and spill preventions. Triskett is looking at an aviary waste issue they had underneath the I-90 Bridge, biohazard waste, electricity and used rags. Hayden is looking at waste cardboard, office paper, oil filters, scrap metal and water consumption. They have put together standard operating procedures, training, monitoring and continual improvement. Within the program there are objects, targets and programs for all the significant aspects. They have baseline data generated, monitored and tracked and is ongoing training at each district. At CBM, through the first nine months of the year, electricity is down 2% and aerosol utilization is down 47%. They have continued with no spills. At Triskett, used rags is down 21%, electricity down 1%, the aviary issue has been addressed, and biohazard work orders have reduced. At Hayden, they have recycled more office paper than their goals, but not much for oil filters compared to their target. They have recycled 21,000 pounds of scrap metal and water consumption has decline 4%.

Corrective actions come up through various audits and findings within the core teams. There are 16 that are open. Six were generated by an external audit in June, which they are addressing. An internal audit in August generated additional corrective actions. An RFP is out for a formal training program that would take place early next year to have all the core teams trained. The main core team was trained five years ago. RTA is being positioned for a multi-site certification. The training they received will be based on that. All the procedures receive annual review. The environmental policy statement and commitment requires board approval. Revisions were made last year to conform to the new standard and approved by the board last November. The statement was reviewed by the internal and external auditors and the core team and management team. This year there are no changes to recommend. The external auditors felt the statement met the standards. He is not recommending any changes this year, but it is reviewed each year.

Mayor Elkins asked how the numbers compare to last year. Mike said they were better than last year. All the aspects will be re-evaluated. Life cycle cost will bring other issues to the top of the list. Mayor Elkins requested year-to-year comparison data in the next report. Mayor Clough asked about the recycling market. Mike said it's not what it was a few years ago. RTA has a recycling program, but there have been issues with the vendors. RTA efforts will be revisited next year. Plastic recycling has changed.

### 2019 Appropriation

Kay Sutula, acting director of the Office of Management & Budget, made the presentation. Dr. Cover met with the OMB and charged them with funding 2019 emerging issues and developing a budget that would allow stability for 2019-20. This would allow time to finalize strategic planning studies. The budget does not include any service cuts or layoffs for 2019. Today's presentation will be on the proposed 2019 budget, changes to the 2018 budget, the 2019 capital budget and the 2019 service plan. There will also be a public hearing today. The budget will be presented again at the Dec. 4 committee meetings and there will be a 2<sup>nd</sup> public hearing. At the Dec. 18 board meeting, the board will be asked to approve the 2019 operating, amend the 2018 operating budget and amend the 2019 capital budget.

The 2018 amended budget has total revenue estimated at \$282.9 million. This is going back to 2015 levels. The 2018, 3<sup>rd</sup> quarter projected revenues are \$293.3 million. Sales tax projected at \$201.3 million based on receipts through October, which are 2.1% better than budget. Passenger fares are projected at \$45.9 million. Receipts through September are 0.8% better than 2017 levels. Reimbursed expenditures is budgeted at \$20 million. State aid in 2017 was \$10 million. This was originally budgeted for 2018. The State added another \$8 million; \$5 million in 2018 and \$3 million earmarked for 2019. All the funding was received September 2018. No additional funding is expected from the State.

The three largest sources of revenue are the sales and use tax at 68.6%. This is lower due to the MCO loss. The normal percentage is over 70%. Passenger fares are budgeted at 15.7%. Reimbursed expenditures is 7.7%. With the great recession, sales and use tax fell 10.9% in 2009. Medicaid MCO's were added to the tax base in late 2009 and sales tax rose 41.5% from 2009 to 2016. The 2018 budget projected year end receipts of \$197.8 million was a 7.5% decrease from 2017 actual receipts and a 10% reduction from 2016. Receipts in 2018 came in better than estimated. Instead of a decrease from 2017 of 7.5%, the decrease was only 5.8%. Instead of a 10% decrease in 2016, there was an 8% decrease. Had the MCOs not been removed, 2018 estimated receipts would be \$238.4 million. We lost \$14.6 million in 2017 and \$37.1 million in 2018. With the State aid of \$28.3 million, a portion was recovered. In 2016, a two-part fare increase was approved. The first was a \$.25 fare increase in August 2016 and a \$.25 increase for August 2018, which was postponed. Ridership fell in 2017 in part due to the fare increase and a 3% service reduction. In 2018, ridership is recovering slowly and is estimated to end the year at 38.1 million riders, a decrease of only 3% from 2017.

The three largest categories of expenses are salaries and OT at 46.2%, fringe benefits at 17.7% and other operating expenditures at 17.8%, which include inventory parts for fixing buses and trains, service contracts, other utilities such as electricity, propulsion power, water, sewer, telephone and purchases transportation for ADA paratransit services. The amended budget is \$7.6 million lower or 2.6% less than 2017 actuals, mirroring 2014 levels. The 2018 operating budget assumes \$254 million at 5% below 2017 operating budget and the 3<sup>rd</sup> quarter estimates are going back to 2014 levels also. Other expenditures are projected at \$52.1 million.

With a beginning balance of \$34.9 million, and projected revenues of \$293.3 million, projected resources are \$328.1 million. Operating expenditures are projected at \$245.8 million. Transfers to

other funds (insurance, pension, bond retirement, capital improvement) provide funding for specific set asides. The budget appropriations needs to increase for three of these funds. Five million to insurance fund to cover premium insurance payments and claims, \$5 million for the CIP for the radio communication project and \$5 million for the reserve fund for the rail cars. Resolutions for these increases will be presented to the board in December. For 2019, the general fund revenue assumes a 1.5% increase in sales and use tax based on current trends through October 2018. A 1.2% increase in passenger fare revenue is based on current receipts through September. Preventative maintenance reimbursement originally planned for \$25 million was reduced to \$20 million to pay for the E. 79<sup>th</sup> Street Red Line rail station rehabilitation. Total revenues for 2019 are estimated at \$277.7 million with an estimated beginning balance of \$35.1 million, total resources are budgeted at \$312.8 million, back to 2016 levels.

The proposed 2019 budget estimates total revenues at \$277.7 million, sales tax continues to be the largest source of revenue at 73.6% of the budget, passenger fares at 16.7%, which remains the 2<sup>nd</sup> largest source of revenue. With the removal of the MCO base in 2017, October 2018 receipts were 7.6% better than October 2017 and 6% better than budget. They are budgeting a 1.5% increase for total receipts for 2019 and each of the out years. Passenger fares are budgeted at \$46.5 million or a 1.2% increase from 2018 receipts. Ridership is estimated at 38.2 million riders, a 3.3% increase from 2018 levels as ridership is slowly recovering. The 2019 budget estimates operating expenditures at \$254.5 million, \$138.6 for salaries and OT, \$53.9 million for fringe benefits and payroll taxes, which includes health care, prescription, vision, dental, union allowances for clothing and tools and life insurance, \$4.6 million for diesel fuel and nearly \$2 million for natural gas, both which continue to be hedged to keep expenses steady.

Other expenditures are budgeted at \$55.6 million, which includes inventory, service contracts, other utilities and purchased transportation for ADA. Transfers to other funds are budgeted at \$31.8 million and include transfers for insurance, pension, capital improvement and transfers to the reserve fund. Total expenditures for 2019 are budgeted at \$286.3 million. The top three categories for general fund are salaries and OT at 48.4%, fringes at 18.8% and other operations expenditures at 19.4%. A 3% service reduction was annualized in 2017, which resulted in a net reduction of 29.4 positions. Since then, positions have remained constant. No service reduction or position changes are budgeted in 2019. A 1.5% wage increase is budgeted across the board. With an estimated beginning balance of \$35.1 million, 2019 is starting strong. Total proposed general fund expenditures of \$286.3 million against total resources of \$312.8 million leaves a budgeted ending balance of \$26.4 million.

Current revenues do not cover current expenditures. In 2017 and 2018, funding was received from the state due to the loss of MCOs in the sales tax base. Without the additional funding, expenditures would have exceeded revenues. The funds available balance is being used to sustain current expenditures. In December a resolution will be brought to amend the 2018 operating budget, to increase budget appropriation by \$15 million to increase the transfer to three funds explained earlier. The capital improvement fund will be amended by increasing the appropriation by \$4.2 million to purchase a printing press and to combine two Red Line track projects. Funding for the track projects is anticipated to be received in 2019. It will enable track reconstruction from West Park to the Airport Tunnel. This appropriation increase will align the budget with the anticipated awarding of the funds.

Mr. Bibb asked how the future budget planning can be aligned to operationalize the recommendations from the studies. Dr. Caver said the operational efficiencies and management studies will have a direct alignment with the budget preparation. When the recommendations are presented, they will be applied to the process. The rail car replacement study will help provide the strategy for replacing the rail cars. It will tell staff if they should replace or remanufacture the current cars and what the useful life is of the current cars. All of these studies will be used to develop the financial package. Mr. Bibb asked what the key drivers are for increasing ridership in terms of the current budget. Ms. Sutula said she'd follow-up. Mayor Elkins asked why ridership is being explained as rebounding when it is still

declining. Dr. Caver said the gap of the ridership loss is being closed. Even though the loss is still negative, the extent of the decline is lessening. Mayor Elkins asked what the projected revenue was from fare increases a few years ago and if the cuts improved the financial situation of the agency. Mr. Freilich said the total revenue increase was less than forecast. All fares were raised, service was decreased and the policy about riding free with a paratransit pass was changed. Mayor Elkins advocates for rolling back the fare increase from a few years back since projections don't appear to be as dire.

Chief McCall said there should be caution. The studies should overlay with the budget. It will put the Authority in a better position for the future. Ms. Moss asked if the rail car fund is being raided. Dr. Caver clarified that the board has to approve any funds coming out of this fund. A minimum of \$40 million is needed in the rolling stock fund to begin the purchase of new cars. The cost for new cars will be at least \$300 million. Capital back log is \$500 million and \$300 million is for rail cars. Ms. Moss asked why salaries drop in 2020 versus 2019. Ms. Sutula said there is a 27<sup>th</sup> pay in 2020 resulting in higher salaries and OT for salaried employees. She asked if the sales tax projections presume that a recession is not expected over the next 3 to 4 years. Ms. Sutula confirmed that. Dr. Caver emphasized that this is the reason why the sales tax is projected conservatively. Mayor Clough thanked the staff for their presentation. The budget can be adjusted if things change. Looks like the budget will hold at least through 2019.

#### Service Management Plan

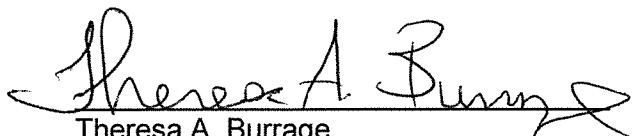
John Palaygi, acting director of service management, will present the service plan. The SMP is a companion document to the 2019 operating budget. The current level of service is being delivered efficiently. The recommended operating budget for 2019 will support maintaining the current service level into the next year. Beyond that, additional funding may be needed. Because of that, staff is preparing for various scenarios for 2020 and beyond should revenues decline, stay the same or increase. An RFP was issued in October to help staff redevelop a system redesign for these scenarios. The purpose of the SMP is to describe changes that RTA plans to implement in the upcoming fiscal year. There are no plans to make any significant changes in the next nine months. But they will continue to adjust frequency based on ridership, adjust running times to improve reliability, add resources where needed to preserve reliability during construction projects and provide temporary bus service during rail construction projects and to look for opportunities to provide service more efficiently.

The SMP always includes analysis of bus route productivity. This analysis uses data from the first half of the current year. The most important indicator is boardings per vehicle hour. This is the best approximation of a route's benefit cost ratio. Of the 50 bus routes, 12 perform in the lowest quartile. No major changes are planned for these 12 routes because anything beyond minor adjustments to current service levels would be a significant hardship for riders. Mr. Bibb asked if any external matrix, like access to employment, access to healthcare, are used in terms of service quality and service management. John said that this information is looked at. He asked that the RFP for the system redesign be aligned to the needs of the community.

Rev. Lucas adjourned the meeting at 10:00 a.m.



Floun'say R. Caver, Ph.D., Interim CEO  
General Manager/Secretary/Treasurer



Theresa A. Burrage  
Executive Secretary