

Minutes

RTA Committee of the Whole Meeting
9:05 a.m., July 31, 2018

Present: Lucas (Acting Chair), Britt, Elkins, McCall, Moss, Nardi

Not present: Clough, Norton, Serrano, Welo

Also Present: Benford, Bitto, Bobich, Brown, Burney, Calabrese, Caver, Dangelo, Davis, Feliciano, Ferraro, Fields, Garofoli, Gautam, Hare, Johnson, Kaceret, Kirchmeir, Loh, Long, Lozada, Macko, Manus, Miller, Minahan, Pinkney-Butts, Randalson, Raguz, Schipper, Scott, Solomon, Sutula, Tarka, Vukmanic, Wiehe, Wright, Zeller

Rev. Lucas called the meeting to order at 9:05 a.m. The secretary called the roll and reported that five (5) committee members were present. Mayor Elkins arrived after the roll call.

Staff presentation on funding needs and options

Mr. Calabrese, CEO, General Manager/Secretary-Treasurer, made the presentation. RTA was created in 1975. It combined 11 systems into one. A 1% Cuyahoga County sales tax was pledged. Staff has never gone back to the tax payers for any additional funds. Since then, the county population dropped 23%. Income levels in the county and the city have decreased proportionately. In other words, there are less people buying less goods, producing less sales tax for that 1%. Some of the common ways public transit is supported by tax payers is by sales tax, property tax and payroll tax. Staff will discuss sales tax and property tax.

Sixty percent of trips on RTA take people to and from work. Twenty-three percent of trips are to and from school. Nine percent of trips are to and from Healthcare. Eight percent of trips are to and from entertainment. Last year, RTA served 40 million customers and transported them 220 million miles. The system is comprehensive, but one that customers and even those who don't use RTA are asking to expand. RTA provides 400 train trips per day of a span of 20 hours, 50 bus routes of which 28% operate 24/7. This is significant for a system of this size. Sixty-two percent of bus routes operate 7 days/week and at least 18 hours a day. Many are requesting that RTA provide additional connectivity to serve unserved areas, to better serve the medium and low density areas with a greater span of service and a greater frequency of service. As a result of recent cuts and funding without additional revenue, the only option is to provide less service.

Fifty percent of customers use RTA because they want to. They have the option to drive. Fifty percent of riders use RTA as their only means of travel. This group is increasing. An Operating budget of approximately \$300 million or \$750K per day is needed to keep the buses and trains running. The capital budget is on average \$80 million. The biggest issue with the capital budget is a \$500 million backlog, \$300 million of that is needed to replace rail cars.

RTA receives money from sales tax (\$200 million a year), which is the largest source of revenue. The loss of the MCO sales tax of \$20 million per year began this year. Passenger fares provide \$45 million per year. Federal government grants make up \$45 million per year, which are dedicated to capital and to maintain capital. State of Ohio grants are about \$5 million per year. These are for capital procurements only. Advertising revenue make up \$2 million per year. Staff has managed effectively as possible. Between 2012 and 2016, cumulatively over those five years, the Authority been \$53 million to the good of budget and \$24 million to the good of budget last year. RTA is currently receiving supplemental MCO state funding. The current operation can be maintained through 2018 and through 2019. The numbers turn

negative in 2020. The Board will then need to find and use new revenues or reduce expenses at the calamity of the customers.

Raising funds is not easy. RTA employees cannot run a campaign using Authority time, equipment, facilities, etc. Board members are also limited in terms of their direct involvement. This is why an outside campaign committee has to be set up with consultants, market researchers, fundraising and media consultants.

Sales tax can be increased in one-tenth or one-quarter of one percent increments. One tenth percent will produce \$20 million annually and cost the average citizen \$14 per year. Ninety percent of the sales tax collected in the county is from county residents. The other 10% from tourist. Sales tax can be increased up to 1.5% with no term limit. The indefinite term is up to the Board. No action is needed by the city, municipality or county for the Board to go this route. A 5 mill property tax for a period not to exceed 10 years can be imposed. A 1 mill increase in property tax would yield \$26 million or \$45 for the average home owner in the county. As home values are being reassessed, the county has projected they will go up 10.8%. He passed out a map of what increases are being projected for each city.

A number of projects are ongoing to convince tax payers to spend more money on RTA. An economic impact study with CSU will show tax payers what their return on investment is. Greater Cleveland Partnership (GCP) Operational Improvement Task Force will ensure RTA has the best management practices so that money is spent wisely. A fare study will show how best to address fares and ridership. Lastly, a system redesign study will show how best to invest in redesigning the service and prioritize new service. How can RTA transition from a service provider to a mobility manager? Key short term events include community meetings, which are built into the fare study and system redesign study.

The MCO sales tax loss has affected others. In Toledo, the TARTA system is a no-go for a sales tax. They are trying to convert from a property tax to a sales tax. Based on their legislation, each county in their district must approve them going to the ballot, which didn't happen. In Cincinnati, SORTA is based on a semi payroll tax. They are trying to go to a sales tax. They've done a lot of work for several years. Their Board decided they were not ready to go this year. Dayton RTA is in a situation where their county commissioner approved a sales tax for the county to replace the MCO loss, but not for their RTA. History has shown that if a campaign is run well, they have been successful. Success rates since 2000 on the Transit Initiative Campaign has passed by 71%, 69% in 2016 and 90% in 2017.

For a Nov. 6, 2018 election, a resolution has to be submitted by Aug. 8. For a May 7, 2019 election, a resolution has to be submitted by Feb. 4, 2019. For a November 5, 2019, it must be submitted by Aug. 7, 2019. Chief McCall asked why Toledo and Cincinnati is changing their tax models. Cincinnati's model receives payroll tax from city residents, but annual contributions from municipalities outside the city, so there is no consistency. The sales tax has a level of stability and inflationary growth. Toledo also believes that sales tax is the way to go.

Discussion of various tax levy resolutions

Dawn Tarka of legal, led the discussion. She will go over three draft tax resolutions. The first resolution is related to a sales and use tax. RTA has the ability to raise its 1% tax up to 1.5% at increments of one tenth or one quarter of a percent. This resolution is drafted to accomplish that. It includes all the statutory requirements and requirements of the Board of Elections. There are blanks in each draft with information that needs to be filled in, like the percentage and determination of how many years RTA will ask for. There has to be a set number of years or a

continued period of time. Lastly they need to document the purpose of the additional funds. Once the blanks are filled in, RTA can move forward with what the Board decides.

The next two resolutions both relate to a property tax increase. The first one is called a Resolution of Necessity. It also includes the statutory requirements. The blanks include the number of mills of tax the RTA will request. There is also a blank for the number of years. RTA can ask for up to 5 mills for up to 10 years. The purpose also has to be included. There are two resolutions because it is a two part process. Once RTA passes the first resolution, it needs to certify the resolution to the Cuyahoga County Fiscal Officer and seek information from the officer, specifically the current tax valuation of the property within RTA's territory and the amount of revenue that would be generated by the number of mills that RTA seeks. The County fiscal officer would then certify the information to RTA.

RTA then passes the second property tax resolution, which is a resolution to proceed. That draft contains all of the statutory requirements and Board of Elections requirements to proceed with asking them to put the levy on the ballot. Once the information is provided to RTA by the County Fiscal Officer, that information can be placed in the draft resolution. Once it's passed, the Resolution of Necessity, the Cuyahoga County Fiscal Officers certification and the Resolution to Proceed must all be certified to the Board of Elections prior to the Aug. 8 deadline.

Requested presentation on "running a campaign"

Mayor Elkins invited Mr. Brian Wright, president of Wright Path Solutions, to make a presentation on running a campaign. He is a political consultant and strategic public relations specialist. He's worked in the field for 20 years. He's worked on levies across the State of Ohio, in Cuyahoga County and in communities across the county. The future of RTA is vital to the region's future. The City of Cleveland is thriving. To continue this, a strong public transit system is needed. It's a major consideration for businesses, national events and conferences that are looking for a place to locate. Nationwide, ridership has increased by 30%, while RTA's has declined. Roughly 150,000 Cuyahoga County residents depend on RTA to get to work, school are for general transportation. Millennials consider public transportation to be a leading tool to connect with their communities.

Every dollar spent on public transportation generates \$4 in economic returns. Every \$10 million in capital investment yields \$30 million in increased business sales. Home values perform 42% better when close to public transit. Hotels where there are direct lines to airports perform 11% better. The funding cuts that RTA is forced to deal with are hurting all of us. If RTA is able to get the additional funding they need, it will force the elimination of up to 200 jobs, 1.8 million fewer trips to work, 700,000 fewer trips to local schools and 300,000 fewer trips to health care appointments. The last levy was in 1974. Shake-ups have complicated RTA's image with reduction of service from state cuts, increased fares, Paratransit issues and Board's investigation and termination of former Board President George Dixon.

Funding is an opportunity for a new path. A ½ percent sales tax increase or 2 mills will cover shortfalls and generate roughly \$75 million in new investments to enhance the agency. This is not just about vehicle and infrastructure improvements, but creating a public transit system that is ready to deal with the challenges of the 21st Century. Public perception and approval of an increase is not currently known. Adequate financial campaign funding is not known. The Board is still deciding on what they want to propose to the tax payers.

Currently it is a broad election cycle. There are State executive races, two Supreme Court races, Senate races, four congressional races, three State Senate and 11 State reps, County Executive and 7 County Council races. A larger voter turnout is expected. There are labor and

independent expenditure groups driving voters to the poll. This will help get constituency out. The State will be paying for early vote applications. There is competition for fundraising resources. Strong support is needed from Cleveland and regional leaders. There is limited time to overcome public opinion shortfalls. There is a rush to conduct public opinion research. The revitalization vision needs to be built quickly. November will offer additional opportunities should the levy fail.

Looking at May 2019, local tax and other issues will be on the ballot. There will be limited opportunities to plug into other efforts. Voter turnout is expected to be low, which will put a demand on the campaign. Strong leadership will need to be secured. More time will be needed to work through current issues in public opinion research. There is an expanded opportunity to move beyond that and identify the best course of action for the organization. There will be one more change at the ballot. For November 2019, support is still needed. There won't be any Cleveland elections, giving RTA a stronger base. It will provide time to work through issues and time to conduct public education and engagement effort. But this will be the last chance.

Ms. Moss asked if the only county wide tax that failed was the Port Authority. She asked how much money was raised, why it failed and what type of budget is needed. He analyzed the last four county wide levies and found that a well-run campaign gets strong support from all but two communities in Cuyahoga County. But it requires a lot of resources. He didn't work on the Port Authority campaign, but he assessed that messaging was off and not enough voter benefits were articulated. There may have been other issues. He worked on two Cuyahoga County's Health and Human Service levies. One was right after the county scandal. Polling identified that the scandal was a liability to the campaign so they adjusted their messaging. The levy also had an increase in 2014, which was challenging. Unlike other levies in Cuyahoga County in the 60-70%, this one came in at the mid 50%. If adequate funding had not been spent to get the communications out, there was a risk of failure. At a minimum, \$500,000 - \$1M might be the budget. He would need a public opinion poll to be sure.

Mr. Calabrese asked which two communities didn't support the levies. He believes one is Seven Hills and he will get back to staff about the other one. Mr. Nardi asked if the Port Authority failed in an off election year. Mr. Wright replied it was the same year that the CMSD had an issue on the ballot. In the evaluation, it doesn't seem that while there are advantages to go in a busy election season, it doesn't appear to be a coalition between timing and success, provided an adequate campaign is run.

Public Comment (4 minutes)

1. Rev. Pamela Pinkney-Butts – Cleveland, OH – She thanked City of Cleveland Mayor Frank G. Jackson and Cuyahoga County for their cooperation and other legislation. There are circumstances on the public transit system that need to be addressed. When RTA has adequate funding, they do awesome things with the money. The E. 34th Street Station work is remarkable. When money was available, people received bus passes to people who were incarcerated. She's been at meetings for 15 years. She's used the system when it was CTS. She sees the benefit of public transit. Mr. Calabrese holds multiple titles, which is a lot of responsibility. RTA set up the Safe Place program to help people. Taxes were put in place after a war or during a war. Money needs to be allocated to meet needs. It's time for people who value the system to step up. She thanked Chief McCall and Mayor Elkins.
2. Marvin Randalson – Lakewood, OH – He's with Clevelanders for Public Transit (CPT). CPT believes that even with the controversy surrounding the Authority, the Board must act to resolve the funding crisis by placing a levy on the ballot this November. For the

numerous reasons mentioned, this is a good opportunity to succeed. It also provides more opportunities in the future if it fails. They believe that pass or fail, the Board must demonstrate leadership it has advocated in the past. If the Board waits, they feel support for transit will continue to erode. The act of placing new revenue on the ballot forces people to think about transit funding for the first time in a generation. They have gotten a lot of attention on the issues and challenges facing the system. The slide that showed the \$500 million capital liabilities of the system needs to be shared with the public.

Even if the levy doesn't pass, there is a lot of information about what the voters think and how they can be converted in the future. It allows for the legislatures in Columbus to see how dire RTA's financial position is and how much they have done to hurt transit in the county. Columbus haven't felt any heat from Cuyahoga County for their inaction in supporting public transit. They recommend a minimum of \$27 million to fill the MCO hole and restore service to 2015 levels. Any new levy must be renewable after five years. The only way to ensure accountability is to go back to the voters to validate the work. A commitment to reform transit service in Cuyahoga County is needed by redesigning the bus network and reforming service delivery. Things are going in that direction now, but why did it take so long. Where would this process be if it had started eight months ago? People can't continue to suffer because the Board was slow. Maybe board members should consider stepping down if they can't commit to the new RTA.

3. Gayle Long – She is a member of the Northern Ohioans for Budget Legislation Equality (NOBLE). Their main purpose is to work on the state budget and get the legislature and Governor to approve something that benefits all of Ohioans, but in particular, low and moderate income people. She asked for her taxes to be raised by putting a levy on the November ballot. It makes sense to do it when more people will vote. She prefers a property tax. The sales tax is regressive, but she will support what will pass. She rides occasionally, but her husband rides regularly.
4. Marques Manus – Cleveland, OH – He is co-chair of Clevelanders for Public Transit (CPT). He emphasized the slide that said 50% of people who use RTA have no other travel options. That's a lot of people who may not be able to get to work, especially service workers. CPT ask that service and fares go back to 2016 levels. The property tax will fill the MCO loss. A sales tax may be more efficient.
5. Lynn Solomon – Cleveland, OH – She uses the bus for transportation. CPT thanked Mayor Elkins for bringing up the levy. She prefers a property tax, but she will support a 2.2% sales tax resulting in \$40 million. She supports a five year limit. In that five years, she'd like work on a parking tax, fuel tax, and Uber tax legislation changes. Portions of those taxes could be earmarked for RTA operating cost. All forms of transportation should contribute to public transportation.
6. George Zeller – Cleveland, OH – He's been a strong advocate for public transit for several decades. The odds of whether the tax levy will pass is not known. A majority of Cuyahoga County voters will not be in favor of higher taxes. He agrees with Mayor Clough, in his absence, that they are not ready. He believes it will fail and more money will need to be raised. He believes both taxes will fail if they are put out at the same time. The amounts and the terms haven't been determined. He asked CPT how much money they had donated for the campaign, but no one got back to him. He believes it's impossible to pass either levy until the RTA audit is released. The public needs to see the audit report before they can vote on a levy.

7. Loh – Cleveland, OH – RTA is supposed to provide service to all Cuyahoga County residents. Difficulties with state funding should not stop from putting a tax on the ballot. This is an opportunity to show people that the Authority will improve. Population loss has resulted in sales tax loss and the productivity of the county. The county has more senior citizens too. The county needs to be more attractive to millennials. The county is filled with seniors, homeless and people reentering society. CPT is a group of riders raising their voice that public transit is essential. People can't afford to move away from the county. If RTA shows that they want to improve, the people will be confident. Operators don't want to be laid off.

Rev. Lucas announced that the board chair said a special board meeting will be called in time for a decision to be made. Mr. Nardi acknowledged all the comments. He believes that people are tired of property taxes. He prefers a sales tax for a 4-6 year renewal. It was expressed to go on an election year. Five years would end in an odd year. He believes people are tired of property taxes.

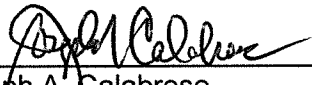
Chief McCall said today was a good start of a conversation. No action will be taken today because there is not a quorum. Even though CPT has expressed their concerns, all Cuyahoga County residents need the opportunity to voice their opinions. Other things are needed to move forward. The board needs to review examples of other communities that put levies on the ballot. The public needs to know what the money will be used for. The fact that Cuyahoga County is the highest sales taxed county in the state has ramifications. She doesn't see how this can be done right before the August 8 deadline. A special election could be an option.

Mr. Nardi said the Port Authority tax failure was in 2012, which was an on-year. Also the board received information that an anti-tax group may fight the campaign. Rev. Lucas said he designed this meeting to start the conversation to hear the staff and others, but that a decision would not be made today.

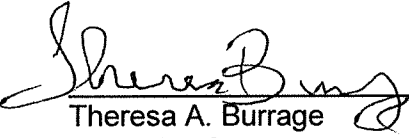
Mr. Calabrese said that GCP is often asked to support campaigns. They support RTA and receive a lot of customer feedback. They are doing a study to find out if Cuyahoga County is in fact the most taxed state. The results of the study will be important in the messaging. Mayor Elkins believes that GCP will find the taxes are too high. He agrees with Mr. Nardi that sales tax is more likely to pass. It would broaden the number of people who will pay. He disagrees with CPT that the mills requested should only restore levels to 2016. There has to be a discussion about growing and repairing the system. Despite the scandals, the board has done a good job at addressing and resolving issues. The board is not raising taxes, but giving the choice to the voters. If it fails, the message can be sharpened and broadened to go out again. Something needs to be done in the next 18 months.

Ms. Moss made a motion to adjourn. It was seconded by Mr. Nardi. There were six (6) and none opposed.

Rev. Lucas adjourned the meeting at 10:15 a.m.



Joseph A. Calabrese
CEO/General Manager
Secretary/Treasurer



Theresa A. Burrage
Executive Secretary