

Minutes

RTA Committee of the Whole Meeting

10:27 a.m., Tuesday, February 2, 2021

Committee Members: Clough (Chair), Lucas (Vice Chair), Bibb, Byrne, Joyce, McCall, Moss, Pellot, Serrano, Weiss

Not present: None

Also Present: Basso, Benford, Birdsong, Bitto, Bober, Burney, Catalusci, Caver, Coffey, Dangelo, Dimmick, Fields, Freilich, Garofoli, Gautam, Houston, Johnson, Kirkland, Laule, Martin, Miller, Peganoff, Petit, Schipper, Shaffer, Sutula

Mayor Clough called the meeting to order 10:27 a.m. There were nine (9) committee members present. Mr. Bibb joined the meeting after the roll call. This meeting was conducted by teleconference for members of the Board in accordance with Sub. H.B. 404 of the 133rd General Assembly, passed on November 19, 2020, signed by the Governor of the State of Ohio on November 22, 2020 and the March 9, 2020 order of the Governor of the State of Ohio declaring a public health emergency, this meeting was live-streamed on RTA's Facebook page (www.facebook.com/rideRTA) for staff and members of the public.

Passenger Fare Revenue Report

Rajan Gautam, Deputy General Manager of Finance and Administration, made the presentation. There have been recent request about the fares we collect, the cost we incur to collect fares and to provide an update on free fares and suspended fare initiatives across the U.S. Today's presentation is informational only and no Board action is requested. In recent presentations, we are focused on 2020 fare revenues because of the effect of the Pandemic. In putting this presentation together, we wanted to not only provide the 2020 data, but information from the pre-COVID timeframe as a historical perspective.

We collected on average approximately \$45 million in Passenger fares from 2017 to 2019 before the Pandemic impacted 2020 of \$24 million. The average cost of collection is \$7.9 million for the four years. In total, about 77% of these cost represent personnel cost, which includes salaries and wages, payroll taxes and fringe benefits. Revenue is made up of personnel cost, printing cost for tickets and passes, equipment maintenance and contracts, such as Brinks. Accounting is comprised of banking server and credit card processing fees. Marketing and Communications is comprised of personnel cost for staff that are engaged in marketing the Community Advantage program. Transit Police is comprised of personnel cost for fare enforcement officers. Rail is comprised of personnel cost for station attendants. Fleet Management is comprised of personnel cost for equipment, repair technician to service the equipment and the associated parts and supplies.

In any discussions of potential cost savings, if RTA was to provide free transit, not all of these cost would result in dollar for dollar savings since most of the personnel are bargaining unit people who may have to be reassigned to other positions within RTA. In the event RTA was to provide free transit, the revenue shortfalls average \$37 million pre-COVID. At the December 2020 Board Meeting, the Board approved the 2021 Budget, which included projections for 2022 and 2023. To show the effect of the revenue shortfalls, we show the same information for the 2021 budget information and the 2022 and 2023 periods, but with the fare revenues removed. We also eliminated 100% of the associated cost even though those cost cannot be eliminated completely. The funding for the CARES Act and CRRSAA is separate because that is not

expected on an annual basis. The revenue shortfalls that would result will begin adding up quickly, resulting in negative fund balances in 2021 and beyond. In the early stages of the Pandemic, several transit authorities suspended collecting fares for various reasons including safety. As of today, several agencies have resumed collecting fares.

In recent months, two transit agencies have been mentioned concerning free transit. Kansas City passed a resolution in December 2019 for free fares. The amount they generated for passenger fares was \$8 million. They allocated sales tax to offset a part of the shortfall. Historically going back to 2015, an additional ½ cent sales tax had been enacted on a permanent bases. Of the \$8 million shortfall, the city committed \$4 million. The remaining \$4 million is expected from private funding. LA Metro established a taskforce in September 2020 to review free transit. The findings and recommendations of that Task Force are to be presented in early 2021. Historically their fares range in the \$250-\$300 million per year range. In 2018, additional sales tax of ½ cent was enacted, which runs through June 30, 2039. On July 1, 2039, the sales tax is to increase to 1%. This measure referred to as Measure M is expected to generate \$120 billion over 40 years for LA Metro to help pay for various transportation projects, including capital improvements and also provides for bus and rail operations. They will update the Board when more information on the taskforce findings become available.

Mr. Bibb thanked him for the analysis and Ms. Birdsong's approval of the study. This speaks to the importance of how we better engage with the County, GCP, the City and other stakeholders as we think about additional revenue streams for public transit for the city and the region. He has been getting request as to when RTA will go for a levy. This has been on the minds of many of the Board members for the last few years. This speaks to the importance of partnership and collaboration. He encouraged the team to think it through to build on the collaboration and what the next generation revenue streams are to ensure we have a connected transit system that is affordable for working class people across the city and the region.


Mr. Serrano said that the report showed that the revenue department is collecting five times more than the cost to keep. Moreover, unless we can get some other entity to cover that cost, if we do not collect fares, RTA will implode. The question is more about who will pick up that huge chunk. Mayor Weiss said the 2020 actual versus the 2021 amended budget expenditures went up by \$40 million. Raj said that includes the Transfer to Other Funds that we are undertaking and part of that includes the \$15 million that we are proposing so we are factoring support of the rail car project. If you look at the Operating Expenditures, the \$254 million was reduced by the \$7.8-\$7.9 million average operating cost that are part of collecting those fares.

Ms. Birdsong echoed the Board members about their analysis of the information. It becomes a conversation about how to bridge the gap in funding of \$40 million in non-COVID year should we go to a fare free system. When you look at the numbers of the transit agencies that speak of the funding behind it, they are looking at \$8 million, where that is how much we put in to be able to get \$40 million. Tempering our expectations, we are thinking about how to bridge that gap and how it will look like in year two or three as we have referendum conversations and how we approach that will be important in next steps in the fare collection process. We also will have a good opportunity to replace fare collection equipment and software. Therefore, that will give us a few more options that we do not have now as far as how to collect fares or not from our constituents and customers who currently pay.

Ms. Birdsong introduced Mark Petit, the new Deputy General Manager for Innovation and Technology. He comes from Akron. He has about 30+ years' industry experience and has worked in the private and public sectors. He served as the resident CIO for the City of Akron for four years. He has worked on several Smart City projects and is excited to be here. He sees a

great promise in opportunity to help the organization operationally and in innovation. Mayor Clough welcomed him and looks forward to him showing us how we can be as efficient as possible

The meeting was adjourned at 10:43 a.m.



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



Theresa A. Burrage
Executive Secretary