

Minutes

RTA Operational Planning & Infrastructure Committee Meeting

9:05 a.m., July 17, 2018

Present: Lucas (Vice Chair), Clough, Elkins, McCall, Moss, Nardi, Norton, Serrano

Not present: Britt, Welo

Also Present: Anderson, Benford, Bitto, Boyd, Brooks-Williams, Burney, Calabrese, Cottrell, D'angelo, Davis, Feliciano, Ferraro, Freilich, Fields, Ford, Garofoli, Gautem, Harris, Jackson, Johnson, Kirkland, Krecic, Pinkney-Butts, Raguz, Schipper, Shariff, Sims, Sutula, Togher, Vukmanic, Williams, (A), Williams (C), Zeller

In the absence of the chair, Mayor Welo, Rev. Lucas called the meeting to order at 9:05 a.m. The secretary called the roll and reported that four (4) committee members were present.

RFP Procurement – Fare Study

Tom Raguz, executive director of the Office of Management and Budget, and Sharon Cottrell of Procurement, made the presentation. As part of the 2018 amended budget process, a decision was made to delay the previously scheduled fare increase for August 2018. It was delayed to complete a fare study to better assess the fare adjustment as it relates to ridership and revenue and to maximize potential revenue and ridership. The scope of service include a fare structure comparison to similar agencies, analysis of each fare by mode, process and model to analyze elasticity of fare changes and ridership.

Currently, service changes and fare increases are taken into account to develop the fare revenue forecast. This will be more of a detail approach that will take into account those items along with gas prices, employment levels and other factors that may include reason for travel, age, income, fare category, transfer services and payment options. It will help assess the long term implications of fare adjustments going forward. Joe added that there is a rule in public transit, which says for every 10% fares are raised, 3% of customers are lost, but over time, the customers will return. But staff found that the 10% fare increase resulted in a higher reduction in ridership because the service became unaffordable to those who need it the most. This study will show how best fares should be adjusted in the future to maximize revenue, but not to the detriment of low income people. The study will help Service Planning in developing routes in the future.

Additional scope of services include targeted fare programs to maximize revenue and ridership and a Title VI Equity Analysis. This is the largest part of the study. It will be 45% of the proposed cost. They propose to conduct 2,000 surveys regarding the impact of fare adjustments to low impact riders in accordance with federal regulations.

This RFP was issued April 9, 2018. It was accessed on the website by nine parties and two firms proposed. The evaluation panel members were comprised of various RTA departments using specific criteria. The recommended firm is LTK Engineering Services, Inc. located in Ambler, PA. The DBE goal is 0% due to a lack of certified DBEs. They have experience with fare policies and fare structures for transit agencies and the project manager has 22 years experiences. RTA has contracted with them for fare collection consulting and rail car analysis. Other clients include transit systems in LA, Rhode Island, D.C, Dallas and Philadelphia.

Staff requests that the Operational Planning & Infrastructure Committee recommend to the Board of Trustees the award of a contract to LTK Engineering Services, Inc. in an amount not to exceed \$147,300.00. Mayor Elkins asked if this expenditure was anticipated at the end of last year and if not, will the cost be absorbed without impacting service. Tom said that funds were set aside as a part of the amended budget process, so it will not affect the budget.

It was moved by Mr. Serrano, seconded by Ms. Moss and approved by unanimous vote. The plan is to start this early August. The plan calls for the project to last for 6-7 months. Mayor Elkins later asked how the public would be engaged in this process. Tom added that the public would complete surveys as part of the study.

Service Code Amendment

Joel Freilich, director of service management, made the presentation. This is a request to make a clarification to the current Service Availability Standard that the Board adopted in March after review with this committee. After the Board adoption in March, a resolution was submitted to the FTA to fulfill a Title VI requirement. FTA staff reviewed it and requested two more sentences be provided for clarification. To avoid having to go back to the FTA, staff sent the proposed sentences to them for approval first. FTA approved the sentences. The full policy has five sections, but only Section C and E require clarification. The added language is underlined.

1013.04 Service Availability

- (a) Transit service availability is critical for providing access to jobs, education, medical care and other activities and opportunities necessary for quality of life.
- (b) ADA-certified residents who live within $\frac{3}{4}$ mile of bus or rapid transit service can use complementary Paratransit service to access all other areas served by regular transit routes.
- (c) Ideally, 365-day bus or rapid transit service should be located near every Cuyahoga County resident. Rapid transit service includes rail and bus rapid transit service.
- (d) Resource limitations and low-density settlement patterns currently preclude realization of the ideal.
- (e) The Authority will provide 365-day public transit service within $\frac{3}{4}$ mile of **at least** 60 percent of Cuyahoga County residents. Public transit service is any transit service open to the general public, including bus, rail and bus rapid transit service.

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

FY 2019 Tax Budget

Kay Sutula, senior budget management analyst and Tom Raguz, executive director, both of the Office of Management & Budget, made the presentation. Today's presentation is on the 2019 Tax Budget and the 5-year financial forecast. There will also be a public hearing on the Tax Budget. The 2019 Tax Budget and 5-year financial forecast process began in May and was finalized in June. On July 24 it will be presented to the Board for adoption. After that, it will be sent to the Cuyahoga County Fiscal Officer. The 5-year Financial Forecast is the first step in preparing the 2019 Operating Budget. This budget will be presented on Nov. 13th to the Operational Planning & Infrastructure Committee. A public hearing will be held on the same day. The 2019 Operating Budget will be submitted to the Board for adoption on Dec. 18.

Challenges facing the Authority include overall ridership decreases, decline in Sales & Use Tax receipts, total resource decline and increases in expenses. Ridership decreases are being felt nationwide. Sales & Use Tax loss is due to the removal of MCOs of \$20 MI a year from the tax base. Total resources are declining and the cost of business is increasing due to contracts, services, healthcare and prescription cost. The three largest sources of revenue is sales tax, passenger fares and reimbursed expenditures, which includes preventative maintenance, force account labor and fuel tax refunds. Other misc. revenue include advertising and interest income. In 2010, the Medicaid managed healthcare was added to the tax base. Receipts rose from 3.9% to 6.4% from 2011 and 2016 mainly due to the MCOs and the tax base. A federal mandate to tax all MCOs or none was issued and the State decided to remove all MCOs from the tax base and put them into an insurance tax. There is a three month lag between when the taxes are paid and when the receipts are received so the removal of the MCOs was felt in Oct. 2017. Receipts for 2018 are estimated at \$197.9 MI. This is due to the removal of the MCOs, which has been annualized in 2018. The Authority is losing \$15 MI compared to 2017 levels. Currently the Authority is back to 2014 levels.

State aid in 2018 for the removal of the MCOs totals \$15.2 MI, which was received. For 2019, they project an increase of 0.5%. They have budgeted a \$3.1 MI State aid contingent upon the State receiving a revenue surplus at the end of the year. Mr. Calabrese added that this was confirmed yesterday. The way the law was written, if the State met some thresholds, the additional money would be allocated to counties and transit systems. The \$3.1 MI had already been worked into the budgeted. From 2020-2023, they estimated a 0.5% increase in sales tax each year. Passenger fares are projected at \$41.7 MI for 2019 due to declining ridership. Fares are projected to decrease in the out years. There is no fare increase budgeted in the 5-year financial forecast. Reimbursed expenditures are projected at \$27.1 MI in 2019. The goal is to keep preventative maintenance below \$20 MI. A proposal was made during the 2018 amended budget to increase the preventative maintenance in 2019 to \$25 MI to partially cover the loss of sales tax from the MCOs. PM is then held at \$20 MI for each of the out years.

The beginning balance of \$38.8 MI for 2019 is \$8 MI more than budgeted, and was included in the amended budget, which is 3% of the overall budget. The total revenue at 2019 levels is \$275 MI and it decreases to \$267 MI going forward. The major reason for the decline is that \$5 MI of PM was moved from Capital to Operating in 2019 as a one-time deal. That money will go back into the capital fund in 2020 going forward. The \$8 MI better than budget helps out in 2020 and going forward to mitigate the loss of sales tax revenue. Overall expenses as part of the tax budget remains consistent. This assumes current service levels. They will go in more detail on the expense side in August going forward, which will be presented to the committee and Board in November and December. The proposal is that operating expenses remain consistent at \$255 MI. There is a slight increase in 2020 plan year for a 27th payroll for salaried employees for \$1.5 MI. Also the total expenses stays consistent at \$285 MI in 2019 with slight increases in 2021 going forward. These increases are due to budgeting \$5 MI of rail reserve funds in 2021 going forward. It was decided as part of the amended budget process to eliminate the \$5 MI in transfers to the rail reserve fund in 2018-2020 in order to have more funds for operating. Those funds will be diverted back to the rail reserve fund in 2021 going forward.

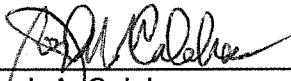
There are transfers to the bond retirement fund that includes additional debt issuance of \$30 MI in 2019, \$25 MI in 2021 and 2023. The available ending balance in 2019 is \$29 MI. In 2020, it is \$8 MI. In 2021 the balances are negative. The amended budget process shows there is time through 2019 with a sufficient fund balance. In 2020 is when substantial drawdowns on the fund reserves will be needed. New revenue or service cuts may be needed by 2020. Overall, there are six financial policy goals. The operating reserve month goal is 1 month. The 2019 tax budget projects 1.4 months. It goes to negative beginning in 2021. The rolling stock replacement fund goal is \$5 MI a year. This will

be deferred until 2021 going forward. Strategic objectives include the previously discussed 30-day operating reserve. Other objectives include \$540 MI of unfunded capital needs.

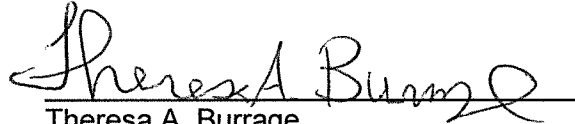
At 9:32 a.m., the meeting was suspended to hold the public hearing. At 9:49 a.m. the meeting was reconvened. Staff requested that the 2019 Tax Budget be moved to the Board Meeting, July 24 for approval. Mayor Elkins believes that George Zeller's assessment in the public hearing, that the system is not convenient, is what he is hearing on the street. This needs to be the Authority's focus going forward. RTA has been in maintenance mode for a long time, which leads to regression. RTA needs to get proactive. It was moved by Mr. Serrano, seconded by Ms. Moss and approved by unanimous vote.

Rev. Lucas acknowledged Oliver Draper, who directs the Paratransit District. He also announced that he requested a report from staff about the number of rides he's taken since he began using the service 13 years ago, which was 3,000 trips.

Rev. Lucas adjourned the meeting at 9:51 a.m.



Joseph A. Calabrese
CEO, General Manager
Secretary/Treasurer



Theresa A. Burrage
Executive Secretary