

To: Operations & Scheduling Committee

Date: 09/25/2020

From: Ruby Horta, Director of Planning, Marketing & Innovation

Reviewed by: *RH*

SUBJECT: Options for service reductions related to projected loss of funding

Background:

COVID-19 has had significant negative impacts on several revenue sources for transit, ranging from local and state sales tax to farebox recovery. The CARES Act funds, allocated this past summer, provided a temporary relief. However, without additional recovery funds, County Connection, along with all other transit agencies will need to make significant service reductions in the upcoming months. It is difficult to predict the severity of the reduction that will be needed; thus, staff has draft three scenarios that consider \$3, \$5, and \$7 million service reductions.

Financial Uncertainties:

At the September 2020 Board meeting, the Chief Financial Officer presented the revised FY 2021 budget. Assuming no significant service changes to expenses or revenue projections, it is estimated that County Connection's TDA reserves would be depleted in FY 2023. However, it should be noted that service adjustments have been implement since March and the most recent bids have incorporated varying levels of service reductions. However, these service adjustments have all been implemented as temporary measures in response to COVID-19, the need to support essential services, and an effort to maintain connectivity to BART.

To address the medium to long-term financial uncertainties, County Connection must proceed with a public outreach process demonstrating the intent to implement service reductions in response to financial pressures.

Three Proposals:

Staff has drafted service reduction scenarios with the goal of demonstrating three financial outcomes. The three service reduction scenarios include cuts totaling approximately \$3, \$5, and \$7 million. It should be noted, the scenarios developed prioritize essential services based on regional efforts to ensure these services are protected. In the event of an expedited

recovery, staff would reassess the service proposals and adjust as needed. The three scenarios are summarized below:

Scenario 1 (\$3M) would include service reductions to Routes 4, 6, 7, 35, 92X, 95X, and 96X.

Scenario 2 (\$5M) would include Option 1 reductions in additions to eliminating Routes 91X, 315 and service level reductions on Routes 10, 15, 17, 20, 93X, 98X, and 99X.

Scenario 3 (\$7M) includes Options 1 and 2 in addition to the elimination of most Bishop Ranch service, Routes 92X, 93X, 95X, 96X and 97X.

All options retain school service assumptions of what County Connection typically operates during a normal school year.

Given the need for a public comment process, the earliest staff could implement these service reductions would be Summer of 2021, unless a different agreement is negotiated with the union to adjust the Spring 2021 bid period.

Financial Implications:

Based on the scenarios presented above, the savings generated would be in the range of \$3 to \$7 million, depending on final recommendation.

Recommendation:

Staff recommends that the O&S committee discuss the proposed scenarios and provide feedback to staff. Additionally, the package should be forwarded to the Board for further review and direction.

Action Requested:

Staff requests that the O&S committee forward the proposed scenarios to the Board. The Board will be asked to authorize staff to proceed with the public comment process.