County Connection

INTER OFFICE MEMO

To: Board of Directors **Date:** 10/07/2020

From: Ruby Horta, Director of Planning, Marketing & Innovation **Reviewed by:**

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 drafted three scenarios that consider $3, $5, and $7 million service reductions.

In addition to presenting the three scenarios to the Operations and Scheduling Committee, staff also presented two additional scenarios to the Administrative and Finance Committee. The additional scenarios, as requested, outlined best- and worst-case outcomes. On one end we could assume the economy will recover completely resulting in no service cuts, thus an immediate return to normalcy. On the other hand, the financial situation would be so dire that any significant service provision would be unlikely, thus requiring the dissolution of the authority. The A&F Committee agreed to proceed with the three scenarios, as presented to O&S since the two additional options would either not require any service cuts or require a different level of involvement from attorneys and accountants.

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 Scenario 1 reductions in addition to eliminating Routes 91X, 315 and service level reductions on Routes 10, 15, 17, 20, 93X, 98X, and 99X.

Scenario 3 ($7M) includes Scenario 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:

The O&S committee and staff recommend Board discussion of the proposed scenarios.

Action Requested:

The O&S committee and staff forward the proposed scenarios to the Board. The Board will be asked to authorize staff to proceed with the public comment process on the proposed scenarios, for implementation in mid- to late- 2021. The final recommendation will be dependent on public input and the updated revenue projections, as they become available.