County Connection

INTER OFFICE MEMO

To: Administration & Finance Committee **Date:** April 30, 2020

From: Rick Ramacier
General Manager

SUBJECT: Mid and Long-Term Impacts to County Connection & Related Planning Efforts Underway

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Background

Over the past six weeks or so, we have been very focused on the short-term impacts of COVID-19 on our employees, operations, and service. Most of these have been highlighted for the Board and discussed. The County has extended the Stay-at-Home order through May. Therefore, we will still have a sharp focus on the short term through May. Yet, we will begin the transition to the mid-term soon. And, after that, we will at some point transition to a long term – that is, recovery.

While we still do not have any useful data on how our sales tax or diesel sales tax revenues are being impacted, staff has begun to work on scenario planning that will tie to a number of potential revenue impacts. We hope to have some actual data that can help us begin to forecast revenue losses by early June. That said, the remainder of this memo outlines where we see the mid-term challenges to be and what staff is beginning to look at for the long-term in the area of expense reductions and long-term recovery.

Mid-term Challenges

On May 4th, we will be in week five of the 12 week period that covers the temporary FMLA rules. In week five, employees are entitled to receive 2/3rds of their pay under these FMLA rules. The most prevalent reason our employees would use FMLA between weeks five and 12 will be the need to stay home with a child under 18 who cannot go to school due to COVID-19 closers. However, because of the decrease in FMLA compensation between week four and week five, we anticipate an undetermined number of employees will return to work the week of May 4, 2020. This will enable us to build service levels back up over the next few weeks.

We will be outfitting additional buses with driver plexiglass shields to ensure that every bus that goes out has one installed. We are also taking another look at the service hierarchy to see if any adjustments ought to be made.

We will maintain social distancing on buses and require all passengers to wear masks consistent with the County order extension. In order to maintain social distancing on buses, we will enforce a temporary capacity for each vehicle size. If the schools open in July and August as has been suggested might happen, this could put a strain on our resources with respect to maintaining social distancing.

Long-Term Outlook

As we move into the late summer and early fall, we will know much more about our financial condition. Especially with respect to sales-tax based revenues. Also, we will likely be at a place where our need to reduce expenses and modify the FY21 budget will be clear.

Because much of the options to reduce expenses require advanced planning and or leg work, staff have begun to do just that. However, as of this writing, no details are readily available. So below, I outline some things we are looking at now. As these various things become ready, staff will present items to appropriate board committees and finally the full board.

Planning

Planning staff have begun scenario planning service restructuring concepts. These will lead into specific service proposals over the next few months. Each planning scenario will be tied to different projections of revenue loss. As we learn over the next 90 days or so what are likely revenue losses will be, staff will develop specific service restructuring proposals within the appropriate scenario. The implementation of any of these would be targeted for late fall or early winter.

Planning staff is beginning to plan for how best to attack situations during the mid-term or the recovery period where ridership demand may sometimes create social distancing challenges should there remain a County order requiring it. This could be especially acute with “school trippers” when schools open up.

Planning is moving ahead this summer/fall with completing our California Air Resources Board (CARB) Innovated Clean Transit Rule (ICT) plan. This is because we need to begin planning for our scheduled FY22 40 bus replacement project. We cannot determine how to proceed with that procurement without the plan being completed. We are using the LONO electric bus project (the second four electric bus project) consultant to complete this plan. We are using LONO funds from the federal grant to pay for the work. The consultant is the Center for Transportation & the Environment (CTE). The plan development itself will be overseen by the MP&L Committee.

Administrative

Staff will begin a line by line item review of the draft FY21 budget. The purpose of this will be to find possible ways to save on expenses without impacting service. Any realized savings here will be relatively minor most likely.

Senior staff are evaluating which open positions can remain unfilled as well as which held positions are vital to continued operations, in the mid-term and/or recovery period. Staff is also looking at compensation issues insofar as managing any significant revenue shortfalls that may impact our recovery.

Financial

While a FY21 budget will be presented in June for adoption, we will bring forward significant budget amendments between July and October to adjust expenses to better match expected revenues as we learn more about our revenues in July and August.

Staff is analyzing the capital program and capital revenues for possible deferral and/or savings to be transferred to support the operating budget. This analysis will look to ensure that any deferrals will not put the maintenance of our buses or facilities in any compromised positions.

Action Requested

No formal action is requested. Staff would welcome any feedback on the general direction we intend to proceed in. We also want to begin to share with the board what the emerging challenges are going to be as we move from the short-term to the mid-term and long-term of the COVID-19 situation and its economic impacts on us. Thus, I ask that you send this report to the full board as information.