

To: Board of Directors

From: Leanne P. Redden, Executive Director

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Re: COVID-19 Recovery Planning Next Steps



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Authority**

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During its August and September meetings, the RTA Board discussed a strong desire to help sustain the regional transit system in coming months as the Service Boards seek to recover from the COVID-19 pandemic's effects. To follow up those discussions, staff recommends that the RTA Board take the following steps during the time periods indicated in parentheses:

- Step 1: Adopt a 2021 budget** that reflects the realities of this current crisis (October-December 2020).
- Step 2: Execute the 2021 budget** and make decisions as needed to sustain transit during a time of uncertainty (January-June 2021).
- Step 3: Engage in strategic recovery planning** and consider how to reinvent transit in the region, with an outlook of 2023 and beyond (to begin approximately May 2021).

Staff also suggests that the Board use a clear set of policy priorities to guide each step toward COVID-19 recovery. As described below, these priorities reflect the RTA's desire to support the Service Boards' difficult choices in 2021 and beyond. By providing insight into their respective approaches, the CTA, Metra, and Pace can help the RTA Board better understand those choices and more effectively advocate for them.

To prompt Board members' feedback, this memo and agenda item describes a set of policy priorities, followed by the process, scope, and schedule for each of the three steps.

Recommended COVID-19 Recovery Policy Priorities

Based on the current goals of *Invest in Transit*, the feedback received during the recent Scenario Planning process, and the RTA's existing statutory responsibilities, staff recommends that the RTA Board focus on the following policy priorities:

- **Identify immediate funding solutions** to support the transit system, including advocating for federal aid, exploring new revenue solutions, and considering how to leverage resources to meet short-term needs most effectively.
- **Sustain critical transit services** to provide mobility for those who most need public transportation at this time, including bus riders, essential workers, residents with economic hardships across the region, and people with disabilities.

- **Take an increasingly transparent, collaborative approach to communicating** with stakeholders and the public about projected budget shortfalls, impending cuts, and other potential disruptions to service.

In addition to helping the Board navigate Steps 1 and 2 in the nearer term, these policy priorities can also guide the RTA Board activities in Step 3 to build on progress toward recovery and to reinvent transit.

Step 1: Adopt the 2021 Budget (October-December 2020)

The Board's first step, through its 2021 budget adoption process, should be to focus on near-term contingency planning to manage a potential financial crisis.

As part of the annual budgeting process that is underway, each Service Board is working to refine estimates of when their federal CARES Act dollars will be exhausted. Without additional federal relief, we project at least a \$400 million system-wide shortfall in 2021.

Based on whether additional federal relief for transit will pass in early 2021, various operational contingencies are being explored. The RTA and the Service Boards have been actively advocating for more federal dollars, without which the RTA system will face a significant budget crisis next year. The ripple effects of the crisis will also likely spill over into the 2022 budget cycle.

As a result, staff are recommending that the following questions be addressed by each of the Service Boards when they present their 2021 proposed budgets to you at your November meeting:

- How is the Service Board working to **identify immediate funding solutions**?
 1. Which expense reductions have you implemented during the last six months?
 2. What is your approach to planning service reductions, particularly to ensure that impacts are equitable based on income, race, ethnicity, disability, or geography?
 3. Besides cutting back service, what other cost savings measures have you taken?
 4. Have you laid off or furloughed any employees? Do you have any plans to?
 5. How much cost savings might be achieved through scaling back service?
 6. Which alternative sources of revenue are you pursuing?
 7. How much debt service are you obligated to pay in 2020 and 2021? What categories of funding do you anticipate being available to pay for debt service versus funds that are available but prohibited from covering debt service?
 8. Do you plan on converting non-CARES Act federal formula dollars to operating under the FTA's emergency funding provision in 2020 and/or 2021?
 9. How much CARES Act funding have you drawn down so far?
 10. Does your budget include any other balancing actions not addressed by the preceding questions?

- How does the Service Board plan to **sustain critical transit services**?
 1. Which of the routes and lines are you continuing to operate and which are carrying the most riders?
 2. Have you done any recent surveys to learn who is riding your services and for what types of trips? If so, what have you learned?
 3. What are your assumptions behind your ridership projections?
 4. Have you identified services to cut or scale back in the event that you cannot fully fund operations through the entirety of 2021, and what is the proposed timeline?
 5. How do the current COVID-19 circumstances impact your capital priorities?

- How does the Service Board plan to **take a transparent, collaborative approach to communicating with stakeholders and the public**?
 1. How are you communicating the impending budget shortfalls with your Board and the public?
 2. In light of the pandemic and statutory requirements, what is your plan for hearings and other public processes in the event that budget shortfalls occur and services need to be suspended or eliminated?
 3. What partnerships do you have in place to assist?

This information will help the RTA Board to gain a more thorough understanding of how each Service Board is addressing its unique challenges. As 2021 budgets are considered, it will also provide the RTA Board with an informed regional perspective about funding gaps that might need to be filled, the magnitude of potential service cuts, and the actions and communications that will be considered if additional federal funding does not arrive by early 2021.

Step 2: Execute on the 2021 Budget and Make Decisions as Needed to Sustain Transit (January – July 2021)

Staff recommends that, once the 2021 budget is adopted, the Board should continue to discuss topics related to the three policy priorities, ensuring that it will have as much information as possible to inform decisions if additional relief funding doesn't materialize and regional budgets need to be amended. The intent is to have presentations and discussions at monthly Board meetings starting in January that shift focus to the important topics in each priority area that the RTA Board needs to consider:

- How can the RTA Board work to **identify immediate funding solutions**? The purpose of this discussion will be to identify immediately available sources of funding and opportunities for new funding flexibility that should be leveraged for better sustainability of transit moving forward. The discussion may also include proposals related to farebox recovery requirement relief and other measures that could provide funding relief.

- How should the RTA Board support the Service Boards' efforts to **sustain critical transit services**? The purpose of this discussion is to prioritize the critical services that are most needed in 2021-2022 to provide mobility for essential workers, residents experiencing economic hardship, and people with disabilities during the waning effects of the public health and financial challenges.
- How can the RTA Board guide the agency to **take a transparent, collaborative approach to communicating with stakeholders and the public**? The purpose of this task is to continue region-wide communication to explain the crisis to riders, the general public, and decision-makers in a way that is transparent and focuses on regional priorities rather than individual constituencies.

The intent of these discussions will be to lay groundwork for developing a regional contingency plan if relief funding is not secured. In the event that relief funding is secured in early 2021, the focus can shift to working towards strategic recovery efforts.

Step 3: Engage in Strategic Recovery Planning (approximately May 2021 and beyond)

Beyond the near-term decisions that may confront the RTA Board in early 2021, further Board guidance is needed to transform the strategic direction for the RTA system from *Investing* in Transit to *Reinventing* Transit. To advance that discussion, staff recommends that we initiate an update of the strategic regional plan in mid-2021 after the contingency planning efforts that are outlined in the near-term planning efforts. Those areas of focus can be continued for further discussion and refinement through a longer planning effort to update the strategic plan before it expires in 2023. Revisiting the *Framework for Transit Capital Investments* would be part of this effort, as would the process for programming the set-aside 2025 federal and PAYGO funds.

The near-term discussions in Steps 1 and 2 may yield some longer-term recommendations that should be considered in the next strategic planning process. The approximate timeframe to start this process is May 2021, when a proposed scope and schedule will be presented for the Board's consideration.

Staff is seeking your input and feedback to help define next steps in the near and longer-term planning efforts.