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FY2022-23 Chapel Hill Transit Budget Update and Orange County Transit Plan Update.

Staff: Brian M Litchfield **Department:** Transit Director

Overview: Chapel Hill Transit staff will provide Council with a presentation on project and financial information relevant to the development of the FY2022-23 Transit budget. The Public Transit Committee (Partners), comprising representatives from Town of Chapel Hill, Town of Carrboro and the University of North Carolina at Chapel Hill, is participating in the development of the draft budget for FY2022-23.

☆ **Recommendation(s):**

That the Council accept this presentation and provide feedback.

BACKGROUND

Chapel Hill Transit is a department of the Town of Chapel Hill and the second largest transit system in North Carolina. We are the public transportation provider for Chapel Hill, Carrboro and the University of North Carolina at Chapel Hill (University). Chapel Hill Transit provides fixed-route bus services (20 weekday & 12 weekend routes) and EZ Rider (ADA Paratransit) services. Chapel Hill Transit has a fleet of 113 vehicles (93 fixed-route and 20 demand response).

The Transit Department is an enterprise fund of the Town of Chapel Hill and reflects financial participation by Carrboro and the University in annual operating and capital costs associated with the operation of Chapel Hill Transit on a contractual basis using the following formula:

Summary of Chapel Hill Transit Partner Contributions Formula:

1. The projected expenses for the year are totaled, and from that total we subtract all external sources of revenue. These include Federal and State assistance, other grant revenues, advertising revenues, and Tar Heel Express receipts. Those sources of revenue are generated by virtue of running the system as a whole. Subtracting those amounts yields a **net local expense**.

2. We then calculate the total number of service hours for the fiscal year, including all University direct routes, for which the University pays 100% of the costs (after outside revenues have been applied), and divide the costs by the number of service hours to generate a **cost per hour**.
3. We multiply that by the number of hours required to run the University direct routes, giving us a total figure for the **University direct cost**.
4. Subtracting the **University direct costs** from the **local net costs** gives us the amount that is proportionally shared amongst all three funding partners. The costs to be distributed among the funding partners is divided based on population.

For the current budget year (FY2021-22) the original adopted budget of \$26.3M included the following revenue sources:

- \$16 Million Local - 61% (Chapel Hill \$5.5M, Carrboro \$1.9M and University \$8.5M)
- \$1.9 Million Federal - 7%
- \$2.6 Million State - 9.9%
- \$3.3 Million Orange County Transit Plan - 13% (includes BRT funding)
- \$2.26 Million Other - 8.6%

FY2022-23 Budget Overview

The service levels and budget priorities for FY2022-23 include:

- Maintaining existing services on 20 weekday and 12 weekend routes and EZ Rider demand response (ADA) service for our customers.
- Utilizing the Short Range Transit Plan and Capital Plan to guide investments in service improvements and capital.
- Using Orange County Transit Plan Funds to assist with service and capital needs.
- Managing with limited State and Federal revenues and maximizing the use of outside grants.
- Minimizing discretionary spending and dedicating resources to maintain our systems and ensure our assets continue to be safe and are in good repair.

Chapel Hill Transit has benefitted substantially over the past several years due to very favorable fuel contracts, emergency relief/CMAQ grants and using lapsed salaries to assist with salary increases for Operators. The previously unanticipated grant funds were critical towards helping us bridge the gap caused by losses in State grant funds (SMAP) and cover the cost of capital expenses. Without these external funds, we would have had to engage the Council and Partners with more options towards some combination of increased Partner contributions, greater use of fund balance, and / or reduced services, including maintenance and repair issues that are not readily apparent in the day-to-day experience of the Transit system.

While relief funding and fund balance may assist with one time needs, there are increasing costs in several areas, and we seek to find a balance of progressive action on the transit system's needs, along with the most prudent use of the community's funding. Additionally, for the last two budget years, the Partners have agreed to not make capital investments in replacing buses, as a way to keep Partner contributions from increasing as we were not certain about the impacts of the COVID pandemic on revenues and other key expense areas. Chapel Hill Transit has delayed significant capital expenses over the past two years, and with the cost of fuel hitting decade highs, and the need to invest in personnel, the following are some high level needs for transit that will require increases by all three funding partners:

- Fuel - peak COVID contracts and service levels have helped us (\$1.40-\$1.50/gallon for ULSD and \$.78/gallon for gas: current prices are \$2.95/gallon for ULSD and \$2.55/gallon for gas). On average, each \$.05/gallon change in fuel impacts our budget by ~\$30,000 or around ~\$850K on a \$1.55/gallon increase.
- Other key budget areas including compensation and parts/materials are all likely to see large increases.
- No additional capital funding available from Orange County Transit Plan or the ability to increase

cost of existing services.

- The adopted 2019 Capital Replacement Plan identifies the need to replace between 6-7 buses each year to effectively maintain our fleet. Over the past two years we have delayed bus replacement purchases and need to replace 19 buses in FY22 and an additional 6 buses in FY23. The 19 buses for FY22 included our 5 articulated buses (~\$900K for diesel and ~\$1.6M for electric). While our recent electric bus grants will help with around 8 of these buses, if we do not invest in replacement buses soon, the fleet and customers will be impacted.
 - The debt purchase we completed in FY17 has worked well for Chapel Hill Transit and our Partners. We estimate it would cost around ~\$900K-\$1,587,313/year to debt-finance 10-15 buses. These numbers may vary based on the mix of bus lengths and interest rates. Interest rates are favorable at this time and debt financing would allow Partners to spread the cost of these vehicles over several years, instead of taking on a large increase/payment for a single fiscal year.
- As our facility continues to age, capital needs will continue to occur. The 2019 Capital Replacement Plan calls for an annual investment of ~\$435,000 for facility repairs, preventative maintenance and bus stop improvements. Current items in need of significant repair/replacement include, high pressure water tanks, facility generator and fire/carbon dioxide alarm system.

Relief Funding

Chapel Hill Transit, like most public transit systems in the country, has received a series of emergency relief funding grants. Over the past two years the Partners have discussed potential and appropriate uses for these one-time funds. Thanks to relief grants we were able to cover last year's loss (\$3M) in SMAP and invest in COVID safety measures. Three relief grants have been provided by FTA:

- Coronavirus Aid, Relief, and Economic Security (CARES) Act - \$5.7M
 - Current Status: Grant adopted by Council in FY21.
 - Uses to date: Offset SMAP elimination and COVID expenses. Funding was drawn down and included as part of FY21 budget and offset other expenditures.
- American Rescue Plan Act (ARPA) Funding - \$8.7M
 - Current Status: Adopted by Council into FY22 budget.
 - Uses to date: Carolina Livery Contract (\$700,000), replace NextBus modems (\$300,000), facility camera repairs and upgrades (\$350,000), new real-time information system (\$1.4M), reserved \$1.6M to assist with compensation and recruitment/retention for FY23. We are in the process of drawing down funds, based on federal requirements, to avoid issues with rescission or reallocation.
 - Suggested Uses: Reserve \$1.5M for Carolina Livery contract for FY23, reserve \$1M for radio system replacement and reserve remaining funds for bus purchases or other capital needs. Note: due to spending requirements in the funding legislation, FTA has asked systems to obligate ARPA funds prior to using CRRSAA funds.
- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) - \$5.3M
 - Current Status: Waiting for FTA grant and will need to be adopted by Council in FY23.
 - Suggested Uses: Reserve \$2M to assist with future compensation and recruitment/retention needs. Allocate \$1.5M for small capital needs including UV systems and replacement bulbs, bus shelters, and stops. If funding is not needed to cover compensation, allocate remaining funds to bus capital purchases and bus simulator for training. Other needs for ARPA and CRRSSAA include: NSBRT, bus yard and maintenance expansion needs for electric buses and infrastructure, major facility repairs and solar infrastructure.

Orange County Transit Plan

The Orange County Transit Plan (https://gotriangle.org/sites/default/files/publications/orange-county-transit-plan_170424_app.pdf) was last updated and adopted in 2017 and contains a program of transit services and projects to be

funded by local revenues for transit in Orange County through 2045. However, due to the discontinuation of the Durham-Orange Light Rail Transit project and a requirement of the Interlocal Implementation Agreement that requires the plan to be reviewed every four (4) years, an update to the plan is needed. The plan directs the spending of four dedicated revenue streams:

- Article 43: Half Cent Sales and Use Tax
- Article 50: Five Percent Vehicle Rental Tax for Regional Transit Authority
- Article 51: Thrée Dollar increase to GoTriangle Regional Vehicle Registration Fee
- Article 52: Sevèn Dollar County Vehicle Registration Fee

The revenue sources in the plan were expected to generate around \$8.5M in FY21 and \$8.9M in FY22.

Orange County Transit Plan funding is critical to the annual operating budget of Chapel Hill Transit, providing around 10% of our annual operating budget (including the expansion of Sunday Service) and has helped meet vehicle replacement needs, fund bus stop improvements and provide the local match (\$14.1M) for the North South Bus Rapid Transit Project.

The Board of Orange County Commissioners approved a planning framework for updating the Transit Plan and developed a Policy Steering Committee to provide guidance on the vision and goals of the Transit Plan Update and help prioritize the types and quantities of service improvements and infrastructure investments that will best serve the communities they represent. The Committee includes:

- Barbara Foushee, Town of Carrboro Council Member
- Michael Parker, Town of Chapel Hill Mayor
- Mark Bell, Town of Hillsborough Council Member
- Patty Philipps, City of Mebane Council Member
- Amy Fowler, Orange County Commissioner
- Sally Greene, Orange County Commissioner (Chair)

Following two phases of community outreach and engagement, the County and Consultant Team are preparing the draft plan update. Engagement opportunities included two virtual stakeholder focus groups, an online survey and pop-up, in-person surveys at key locations near transit service ([<https://octransit2020.com/project-updates/>](https://octransit2020.com/project-updates/)). The Policy Steering Committee was provided with an update on the engagement efforts on March 11, 2022 (<https://www.townofchapelhill.org/home/showdocument?id=51109&t=637831153099234532>).

The County and Consultant Team will provide updates on the draft plan to the municipalities in the County toward the end of April and first of May, with a presentation to the Chapel Hill Town Council on May 4, 2022.

Chapel Hill Transit staff has discussed the projects identified in the current Draft Plan (FY22-29) with University Transportation and Parking staff and Transit Partners Committee and we believe they are consistent with the priorities of the adopted Chapel Hill Transit Short Range Transit Plan and are reasonable, considering the fiscal constraints of the Plan and the significant needs in the County and Region. Note that based on current obligations, the Draft Transit Plan will have around \$330,000 per year available to allocate to new projects between 2021-2025.

Orange County, GoTriangle (TTA) and the DCHC-MPO are also working to updated the Interlocal Implement Agreement (ILA) (<http://www.orangecountync.gov/DocumentCenter/View/1373/Interlocal-Implementation-Agreement-PDF?bidId=>>) that governs the allocation of funding, cost parameters and timetables for delivery of projects and transit services related to the funding mechanisms used in the County Transit Plan. The ILA also identifies the respective roles of the County, GoTriangle, MPO and transit agencies in provision of the projects and services. Durham and Orange County have initiated a Governance Study to update their respective ILAs. The effort is being led Adam Howell, Senior Project Manager with Atkins, in coordination with the Policy Steering Committees for the Transit Plan Updates.

The Agenda will reflect the text below and/or the motion text will be used during the meeting.

PRESENTER: Brian M Litchfield, Transit Director

The purpose of this item is to provide Council with a presentation on project and financial information relevant to the development of the FY2022-23 Transit budget.