



CAPE FEAR PUBLIC TRANSPORTATION AUTHORITY

Coronavirus Aid, Relief and Economic Security (CARES) Act of 2020 Implementation Plan

Introduction

On March 27, 2020, President Donald Trump signed into law the Coronavirus Aid, Relief and Economic Security (CARES) Act of 2020. The nearly two trillion dollar relief package is in response to the COVID-19 pandemic and is the single largest stimulus bill in U.S. history. The CARES Act includes: direct financial assistance to Americans; aid to small businesses and employees; efforts to stabilize the economy and keep citizens employed; and additional support for health care professionals, patients, and hospitals. The CARES Act includes \$25,000,000,000 to support the transit industry response to COVID-19. As a federal recipient of 49 USC §5307 funding, Wave Transit was apportioned \$6,856,517 in CARES Act funding. The proposed allocation of the apportionment outlined in this report is compliant with the requirements of the CARES Act of 2020.

Funding Eligibility

The Federal Transit Administration has allocated \$25 billion to recipients of urbanized area and rural area formula funds, with \$22.7 billion to large and small urban areas and \$2.2 billion to rural areas. Funding will be provided at a 100% percent federal share, with no local match required, and will be available to support capital, operating, and other expenses generally eligible under those programs to prevent, prepare for, and respond to the effects of COVID-19. Operating expenses incurred beginning on January 20, 2020 for all rural and urban recipients, even those in large urban areas, are eligible, including operating expenses to maintain transit services as well as paying for administrative leave for transit personnel due to reduced operations during a declared emergency.

FTA defines operating expenses as "...direct labor, material, and overhead expenses incurred during a specified project period. Costs are calculated on the accrual basis of accounting pursuant to FTA C 9030.1E dated 1/16/2014. Expenses for contractual services directly related to the management and operations of public transportation services, which are otherwise not reimbursed, are included. The following are representative of operating expenses eligible for FTA operating assistance:

1. Fuel, wages, and other expenses incurred in the operation of public transportation services to or within the UZA
2. Pension benefits and contributions to a pension plan, only if actually paid and only up to a maximum of the current year accrual
3. Self-insurance costs are limited to the extent of actual contribution to a reserve for an approved self-insurance program
4. Purchase of service contracts for public transportation services
5. Interest and other financial costs associated with borrowing to provide working capital for the payment of current operating expenses. The recipient must properly document the loan agreement and open it to audit
6. Operating expenses associated with special public transportation services for people with disabilities (some of these costs may be supported with capital funds)
7. Amortization of leasehold improvements may be eligible; recipients should discuss this with the FTA regional office
8. For private operators, a reasonable return on investment (profit) is an eligible expense
9. Eligible public transportation security operating assistance projects (for UZAs with a population of 200,000 or less) include, but are not limited to:
 - (a) staff salaries for personnel exclusively involved with security
 - (b) contracts for security services
 - (c) any other operating projects intended to increase the security and safety of an existing or planned public transportation system
10. Indirect costs provided that there is an approved cost allocation plan before incurring costs

CARES Act specific operating costs also includes paying administrative leave of operations personnel due to reductions in service or quarantine.

FTA has also authorized the following special provisions:

1. There is no limit on the amount of funds that may be used for operating expenses
2. There is no limit on the amount of funds that may be used for paratransit service
3. Charter service in response to the COVID-19 emergency may be provided for up to 45 days without a waiver

Budgetary Impact

FTA funding to the Wilmington urbanized area from the CARES Act is \$6,856,517. The Cape Fear Public Transportation Authority is the designated recipient of the funding. The grant was electronically awarded by FTA on April 17, 2020 and the full apportionment is available to reimburse eligible expenses. The award included a single project for funding operating assistance compliant with the requirements outlined in the previous section. The period of performance requested by the Authority is January 20, 2020 through January 19, 2024. Project funds can be extended until exhausted. CARES Act funding is eligible for 100% of operating expenses.

Fiscal Year 2020

On February 29, 2020 the Authority began accruing expenses eligible for CARES Act reimbursement. At the time the estimated revenue shortfall for FY 2020 was approximately \$200,000. To eliminate the deficit, the Authority can appropriate available fund balance or allocate the shortfall to the FY 2021 budget. Staff recommends the latter since it will preserve the current fund balance. Regardless of the accounting method utilized to respond to the funding gap, the Authority is in a position to appropriate CARES Act funding in a manner that would allow for full reimbursement of advance funds from the City of Wilmington and New Hanover County either through direct repayment or a reduction in local matching funds in FY 2021.

Reduction in farebox revenue from decreased ridership and moving to a fare free model to meet CDC guidelines for social distancing and prevent spread of the coronavirus have and will continue to impact the FY 2020 budget through the remainder of the fiscal year. CARES Act funding was intended to address revenue losses and the Authority will appropriate the funding to finish the year with a balanced budget. CARES Act funding of approximately \$620,000 has been included in the draft FY 2020 Budget Amendment for this purpose.

Fiscal Year 2021

The Authority's FY 2021 budget has been drafted to include a partial appropriation of CARES Act funding. Recovery from stay at home orders will take time as the economy rebounds. Sufficient CARES Act funding is available to meet the revenue requirements of the Authority in FY 2021. It is currently unknown how the COVID-19 pandemic will affect other sources of revenue but staff is prepared to present a budget that is conservative taking into account that some current sources of revenue may be impacted. These revenues include:

- *Fares* - demand for transit service in 2021 is unpredictable. Typically a poor economy with higher unemployment leads to an increase in transit use which could lead to increased farebox revenue. The current pandemic may lead to more permanent social distancing which could offset projected increases in ridership.
- *NCDOT* - similar to local governments, reports of reduced revenues at the state level are prevalent. How legislators at the state level appropriate transit funding for FY 2021 could be resultant from revenue losses. Conversely, increased transit need could lead to a stable source of state funding during the recovery. The Authority will work with our legislative delegation to ensure they are aware of the need to preserve transit funding at the state level.
- *Advertising* - a slow economy could lead to reduced revenue from advertising as discretionary and marketing budgets are reduced.
- *STBGP-DA* - discretionary funding of FHWA funds from the WMPO are not currently appropriated but are critical for the Authority to continue to meet the revenue requirements necessary to fund ADA and preventive maintenance needs.

Staff is confident that the draft FY 2021 budget will be responsible in light of the many unknowns during recovery from the COVID-19 pandemic. The budget assumes no change in the level of service provided to meet the federal intent of protecting jobs. Recommendations from TransPro regarding efficiency can be incorporated into the FY 2021 budget at the direction of the board.

Fiscal Year 2022 - 2025

As previously mentioned, the period of performance for CARES Act funding is through March 30, 2024. Estimates

are that the funding will provide necessary revenues to allow the Authority to continue to offer its current level of service through FY 2025. Efficiency improvements or service reductions as recommended by TransPro could be incorporated into future year budgets.

Additional Budget Recommendations

It is recommended that non-program revenue be allocated to a fund balance as part of the adopted budget. Non-program revenue includes Greyhound contracting, advertising and vending. Currently, these sources account for approximately \$170,000 annually. These appropriations would supplement the June 30, 2019 fund balance of \$344,953 and would exceed the NC Local Government Commission recommendation of eight percent. Fund balance is critical in responding to non-reimbursable revenue losses during declared states of emergency, especially weather events.

Local funding for matching capital funds apportioned from 49 USC §5339 would continue to be included as a line item in the annual budget. Local match is historically approximately \$70,000. Major capital acquisitions are not anticipated in the five year time period of CARES Act availability. The average age of the Wave Transit fleet is less than four years. At the end of the five year recommended window, the majority of the Authority's fleet will continue to be less than the useful service life. Minor facility maintenance will be necessary over the five year period but can be undertaken with annual apportionments from the §5339 or §5307 programs.

Predictability in the cost of contract management and union wages will provide stability in the budgeting process if they can be achieved in the short term. The same can be said for revenues from UNCW for the Seahawk Shuttle. These three expense and revenue line items are a priority for the Authority.

FTA annual apportionments will not be impacted by the CARES Act. These apportionments will continue to require local matching funds similar to the current policy. Formula funding is calculated utilizing census data which could lead to changes in formula funding as a result of the 2020 census. It is not anticipated the formula funding will decrease in response to the census.

The FAST Act is scheduled to be reauthorized during the five year period covered in this analysis. The Act outlines how federal dollars are apportioned to USDOT, including transit. In predictable times this funding is somewhat similar to prior year allocations although programmatic changes have had both positive and negative impacts on the Authority's budgets over the past sixteen years. Ancillary effects to transit funding at the federal level resultant from COVID-19 make prediction of future federal funding extremely difficult if not impossible.

Operational Impacts

Wave Transit is preparing for increased ridership as the region recovers from the COVID-19 pandemic. Ridership growth due to increased transit dependency in times of economic uncertainty and high unemployment are typical. Expense increases in response to increased ridership are unlikely to add to the operating budget. Increased sanitation and outreach to the community should continue to ensure passengers that Wave buses provide a safe means of transportation. Both could be undertaken without significant impact to future budgets.

The Authority is currently in the process of evaluating the efficiency of public transportation throughout the urbanized area. TransPro Consulting has been retained to complete the efficiency study. Recommendations to improve cost effectiveness and efficiency of the system are expected to lead changes to the level of service provided. A full report with recommendations for FY 2022 and beyond are anticipated to be presented by TransPro in time for the board to evaluate the recommendations and implement service modifications prior to preparation of the FY 2022 operating budget.
