



# COVID-19 Recovery Plan

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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## Introduction

The global Coronavirus (COVID-19) pandemic is forcing TheRide to quickly update its priorities in light of changing circumstances. This Recovery Plan provides a general overview of the situation and develops new priorities that TheRide is using to ensure staff and public health, maintain and restore services, and preserve the organization for the long-term. More details on specific actions and initiatives will be forthcoming.

The Board of Directors at TheRide sets the general goals for the organization and the CEO via written policy. The CEO then interprets those policies, develops and implements plans for achieving the Board's goals, and reports progress to the Board. In this situation, the CEO is abruptly changing his earlier plans and putting greater emphasis on the Board's expectations for safety, avoiding fiscal jeopardy, and meeting essential needs in the community.

*Note: This Recovery Plan document supersedes the FY 2020 Corporate Business Plan.*

# Pandemic Implications & Timelines

TheRide has explored data provided by the Center for Disease Control, United States Government Covid-19 Response Plan, Covid-19 Presidential Task Force briefings, among other sources to develop the following phases, phase characteristics, and respective phase timelines. Data gathered from these reviews is presented in a phased timeline for planning purposes and does not demonstrate firm predictions. Dates are extrapolations based on assumptions found in appendix A<sup>1</sup>. Preferred transit priorities for each phase are also listed.

## **Phase 1: Emergence of the disease and initial reactions (Jan 2020 – March 2020)**

Characteristics include:

- The first cases of the virus are confirmed in North America.
- Social isolation orders begin to go into effect.
- There is an emphasis to “flatten the curve.”
- Essential services are defined. Public transit is considered an essential service.
- Ridership drops as people are asked to stay home.

- Fare collection is suspended.
- Feds provide CARES Act relief for transit.
- Labor force is less available as infections spread.

### **Transit Priority**

- Transit services focus on public and employee safety.
- Maintaining essential mobility needs.

## **Phase 2: Disease containment and associated impacts (Feb 2020 – Jan 2021)**

Characteristics include:

- A prolonged period of social isolation and endurance until a vaccine is developed.
- Agencies begin developing and deploying mitigation measures.
- Employers and schools may not reopen in fall 2020.
- Homelessness may increase.
- Disruption of supply chains

- Layoffs increase, operating costs increase, and labor relations will be impacted.
- Financial problems that affect capital budgets will emerge.

### **Transit Priority**

- Maintaining employee health and essential services to aid in containment and treatment
- Maintaining organization capacity to re-emerge

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<sup>1</sup> Assumptions made in this document are available in Appendix A

### **Phase 3: Restoring services in start-stop cycles (May 2020 – June 2021)**

Characteristics include:

- While containment efforts are still ongoing, early successes in containing the virus and pressure to reopen society will lead to loosening of quarantines, a start-stop cycle of rebounding infections, and pressure to increase transit services.
- There may be a second round of severe infections in fall 2020.
- The timing of this phase is unpredictable.
- Agencies will incur re-start costs.
- Timing and levels depend on local factors, labor availability/willingness, and finances.

#### **Transit priority**

- Gradual reintroduction of some services and fare collection.

### **Phase 4: Vaccine deployment (Jan 2021 – June 2021)**

Characteristics include:

- Vaccine hoped for 12-18 months after initial emergence (Jan-June 2021).
- Mass deployment will take months after a vaccine is developed.

#### **Transit priority**

- Hope for early vaccinations for transit workers.

### **Phase 5: Post-pandemic (June 2021 and beyond)**

Characteristics include:

- Transit may be seen as an important precursor to recovery, but the stigma of crowding will be a challenge.
- Future conditions may include high unemployment, social and emotional trauma in the society and workforces, lingering fear of infection and reduced tax revenues that will cause secondary financial challenges.

#### **Transit priority**

- Recovery begins; focus on social and economic rebuilding, and emotional healing.

The chart below illustrates the pandemic timeline.

Phase/Time	Calendar Year 2020												Calendar Year 2021							
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Phase 1	<b>Emergence of Covid-19</b>																			
Phase 2		<b>Disease containment and associated impacts</b>																		
Phase 3					<b>Restoring services in start-stop cycles</b>															
Phase 4													<b>Vaccine deployment</b>							
Phase 5																		<b>Post pandemic</b>		

Figure 1: Phased pandemic timeline

## Financial Stability

TheRide faces great uncertainty in its finances and this represents an immediate threat to the agency's mission in the community. Although the federal government has provided a relief package, the organization still faces growing costs, a long period without fare revenue, a likely decrease of state funding, and the possibility of lower property tax funding. We are facing a long period of financial uncertainty.

Like all transit agencies, TheRide's most significant expense is staffing costs. When Michigan went into a state of emergency on March 11th, 2020, TheRide kept all staff employed. The office staff worked from home, front-line staff who were on the job were paid time and a half, and many staff were paid full pay even as they stayed at home simply because there was no work to be done (mostly bus drivers). While TheRide was fortunate to afford this temporary stopgap, it could not continue this spending indefinitely. Projections suggested that unless spending was reduced, TheRide could become insolvent as early as the summer of 2021. Insolvency could happen sooner if unforeseen costs or additional loss of revenue is encountered. Faced with this unyielding reality, TheRide made the extremely difficult decision to reduce staffing costs with layoffs.

In late April, TheRide commenced staff layoffs and voluntary pay reductions for senior leaders. In total 44 positions were eliminated; this includes 37 unionized positions and seven non-union positions. This represented about 15% of the workforce. In addition, front-line staff will be paid straight time as before. The CEO and two Deputy CEOs also reduced their salary by 10% for at least the next six months. These steps will save TheRide about \$4.9 million during a full year. Immediate savings during the rest of 2020 will be less due to separation expenses. There are no plans to reduce capital expenses at this time. Federal funds used for capital projects, such as bus replacements, cannot legally be redirected to operations or payroll.

These cost savings, along with the federal CARES Act funding and TheRide's remaining reserve funds, leave the agency in a momentarily strong financial position. As seen in the chart below, in April TheRide received access to \$20.7 million in federal CARES Act funds. This was in addition to our own reserves. Over the coming months we will be spending these funds down.

The future remains very uncertain – the state may reduce funding, unforeseen expenses may occur, and the costs to restore services are not yet known. For those reasons, husbanding of resources now is a prudent strategy to ensure that TheRide will have enough funding left to meet the community's ongoing needs. We will not hoard resources however. Since the crisis began, we have already spent over \$800,000 on staff compensation, and will be asking the Board to approve a separate \$800,000 project to increase safety for bus drivers. We are anticipated significant costs tied to restarting services and maintaining social distancing for the rest of the year.

As the chart below illustrates, our latest financial projections suggest a path to remain solvent, but challenges remain. The dashed horizontal lines illustrate two important thresholds; a self-



imposed reserve target (dotted black), and a point where TheRide's accounts run out of funds (dashed red). The CEO cannot allow our finances to drop far below the "reserve target," as fiscal jeopardy would result, the avoidance of which is required by Board Policies 2.4 and 2.5.

Our possible cash-flow scenarios are represented by the black and green lines. Our cash-flow typically has a saw-tooth appearance due to the abrupt arrival of property tax revenue. The **green line** represents the CEO's goal for our finances. It includes: the April staff reductions, loss of fares, and significant loss of tax revenue (2% less property tax revenue and one-third less state operating assistance). The **black line** represents a worse-case scenario where *most* state funding is lost and staffing costs remain at pre-April levels. The **shaded space** in-between the green and black lines represents the range of likely outcomes. While TheRide has some control over costs and revenues, there is a high likelihood of future unforeseen costs and economic uncertainty. Most likely our actual position will be somewhere in the shaded area. Our goal is to remain above the reserve target threshold.

#### PRELIMINARY FINANCIAL CAPACITY PROJECTION (April 2020 through FY2022)

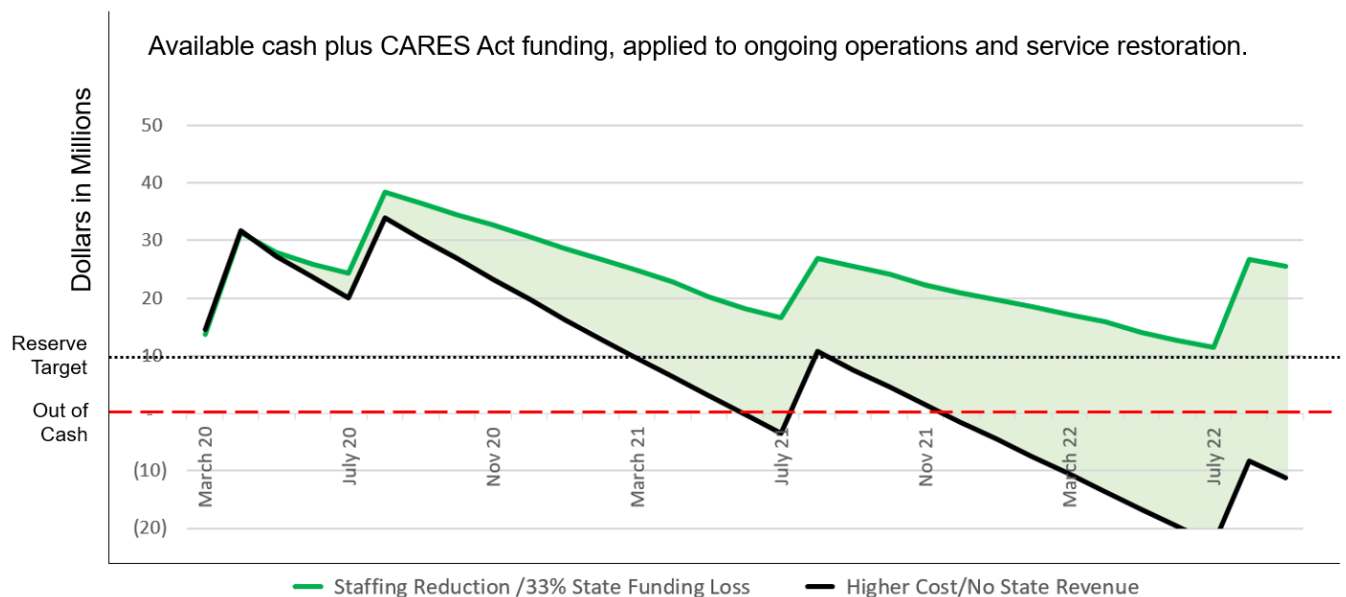


Figure 2: Scenario-based financial projections

Presently, TheRide is projecting operating deficits of \$8 million for FY2020, and \$7.9 million for FY2021. Federal aid (CARES Act) funding will be used to reimburse lost revenues and address higher costs to promote health and safety of employees and the public. This will keep us close to the green line scenario.

Our financial projections will be updated regularly and decisions made to keep TheRide as close as possible to the green line. If earlier cost reductions prove inadequate, more changes may be necessary. Should the situation permit, expenses may be increased.



# The Recovery Work Plan

The Executive Team has had numerous discussions about pandemic implications, TheRide's financial position, community service needs, and the Board's overall direction. These discussions have resulted in the formation of the following new corporate business priorities that will be the guiding principles of Recovery Plan.

**Executive Priority 1: Health and safety of the public and staff**

**Executive Priority 2: Maintain essential transport needs (continue and restore paratransit and fixed-route)**

**Executive Priority 3: Preserve the organization for the future (financial sustainability and capacity to re-emerge)**

As with the previous Corporate Business Plans, each of these priorities are thematic buckets established to help the organization make critical decisions and identify and prioritize specific projects.

## Service Restoration

The pandemic has forced TheRide to reduce services abruptly and dramatically; fixed-route service has been reduced by 70%, and A-Ride (paratransit) has been reduced by 75%. As the gubernatorial Stay-at-Home orders are rolled back, ridership is expected to increase. Therefore, TheRide is preparing to safely restore services as quickly as demand warrants.

In addition to the financial uncertainties previously mentioned, expensive new requirements for keeping staff safe, preventing crowding, re-starting fare collection, timing, and rebound infections are additional challenges that TheRide anticipates.

Under normal circumstances, changing public services or re-setting expectations is best done slowly and only after extensive public involvement. This is especially true when the changes could be controversial. Today, the pandemic has already re-set expectations for all services. Starting fresh will allow TheRide to weather immediate financial challenges, build a stronger foundation that can better support future expansion, and meet future challenges and opportunities. The organization that emerges will look different than it had been before, and the community will benefit from the changes. Specific directions for key services are as follows:

## Paratransit

Prior to the pandemic, TheRide had a complete blueprint for restructuring the A-Ride program. A 2018 consultant study had provided a new course that had been reviewed numerous times by the Local Advisory Council (LAC). The central idea was to slowly disentangle federally required "paratransit" services from additional "premium" services and then manage each one differently for better cost-effectiveness. Today, the pandemic has forced the disentangling to happen quickly, and TheRide is presently only providing federally required minimum services. As we





rebuild A-Ride, federally required minimum paratransit services will be restored first. Premium services will come later, and they will be presented as different programs. More information on these programs will be provided as they are developed and articulated.

In July, we will bring the A-Ride operations “in-house”. This will allow us to use our own us drivers, have more direct control over quality and costs, and defer the procurement of a new paratransit vendor to a future date. This decision saved about 50 staff positions at TheRide.

## Fixed-Route Service

TheRide’s fixed-route bus service delivers the bulk of the organization’s mission and benefit to the community. However, even prior to the onset of the pandemic, budget projections foresaw future deficits that warranted changes. Our new conditions require that TheRide implement a new service plan for August 2020 that incorporates earlier proposed reductions and more, to reduce costs and redeploy resources for the greater benefit. This plan also needs to include pandemic-related costs for social distancing.

Presently, our plan is to re-start fixed-route services in August at about 60% of what was operated in February 2020. This is highly dependent on still-changing external factors such as university attendance decisions, need for social distancing, state budget decisions, and labor force availability. It is TheRide’s intent to remain flexible and restore as much service as quickly as we can – when we are confident we can sustain it, afford it, and operate it safely. If circumstances permit, we may try to restore more than 60%.

In addition to regular fixed-route services there are related services we hope to re-start:

- **D2A2:** This new service only ran for a few weeks. This service may be re-launched when the Stay-Home orders are lifted. The RTA and TheRide will decide together.
- **AirRide:** This service will be re-launched when demand warrants and restrictions are lifted.
- **ExpressRide:** These routes will remain suspended until further notice.
- **FlexRide:** Demand responsive service continues to operate in Pittsfield and Ypsilanti townships, although with significantly reduced utilization.
- **NightRide/HolidayRide:** This service will remain suspended until further notice.

## Fare Collection

The loss of all fare revenue is a major financial challenge, representing about 15% of our budget. Restoring fare collection is a priority for financial reasons. However, this will need to be done in a new way to ensure driver and passenger safety. Staff is assessing what is needed in order to safely re-start fare collection, including fast-tracking physical barriers, the development of mobile ticketing and other contactless fare payment options, and possible changes to fares and the fare structure.

## Vanpool

A majority of the vanpools (93 of 129) continue to operate during the state of emergency, primarily for healthcare workers. The remaining 36 have been idled and it is unclear if demand will return once the Stay-Home order is lifted.

## Bikeshare

The ArborBike service was to re-launch in early 2020. After discussions with partners, TheRide has decided to cancel the re-launch and leave the equipment in storage until the program can be reassessed in light of the pandemic.

The figure below outlines specific actions and expected timelines during the pandemic period.

Figure 3: Recovery work-plan

Executive Priorities	Actions Steps	FY 2020			FY 2021			
		Jan-Mar Q2	Apr-Jun Q3	Jul-Sep Q4	Oct-Dec Q1	Jan-Mar Q2	Apr-Jun Q3	Jul-Sep Q4
Health and Safety	PPE for Staff							
	Enhanced cleaning							
	Masks for drivers							
	Modify buses (shields, etc)							
	Masks for Passengers							
	Sanitization of buses & facilities							
	Fare suspension/Rear door boarding							
	Admin staff work remotely							
Maintain and Restore Services	Fixed Route:							
	Gradually increase level of service							
	Reopen terminals (TBD)							
	Restore fixed-route bus to 60%							
	Retrain all drivers							
	Paratransit:							
	Temporary Operations Paradigm							
	Establish new program rules							
	Onboard contractor, handover ops							
Preserve Org for the Future	Ensure financial sustainability							
	Board Policy Updates (TBD)							
	Re-Start Fare Collection (TBD)							
	Position for Future							
	YTC (grant results)							
	Garage Study							
	BTC (TBD)							
	Departmental priorities							

## Conclusion

TheRide is quickly realigning its resources to address the realities of a global pandemic. Implications of the pandemic have forced the organization to make difficult decisions and adapt quickly. With increased uncertainty in revenue sources, husbanding available resources is deemed essential. The Executive Team has developed new priorities focused on (1) staff and public health, (2) maintaining and restoring public services, and (3) sustaining the organization. These three priorities are the foundations of our decisions that will be made during the pandemic period.

This new Recovery Plan exists as a general blueprint for how TheRide will proceed to achieve its new priorities, and as a means to increase the transparency of the agency's decisions. More details on specific projects and initiatives will be forthcoming.

As always, TheRide welcomes feedback. Feedback on this Recovery Plan can be directed to [TellUs@theride.org](mailto:TellUs@theride.org).

**Note: As the situation unfolds, TheRide will frequently reassess and update this document to keep it as current as possible.**



## Appendix: Facts and Assumptions

### Facts

The following information is confirmed at the time of writing this document.

1. COVID-19 vaccine research, development, production, and distribution are under rapid development and will take an extended time to develop.
2. The recovery phase may be prolonged since clinical research on the effectiveness of existing medications, and COVID-19 antivirals require extended time for U.S. Food and Drug Administration (FDA) to review and the Emergency Use Authorization to approve.
3. As of April 2020, federal and state leaders are under pressure to reopen the economy after millions of people file for unemployment benefits and businesses experience massive losses.
4. The spread and severity of COVID-19 will be challenging to forecast and characterize due to numerous variables.
5. TheRide continues to provide essential rides.
6. The re-opening of schools, businesses and local social events will impact the level of service provided by TheRide.

### Assumptions

For planning purposes, this document has extrapolated data gathered from various sources to include the Center for Disease Control (CDC) and the United States Government COVID-19 Response Plan. This recovery plan is based on the following assumptions:

1. A pandemic will last 18 months or longer and could include multiple waves of illness.
2. Increasing COVID-19 suspected or confirmed cases in the U.S. will result in increased hospitalizations among at-risk individuals, straining the healthcare system, businesses and the TheRide's operations.
3. Supply chain and transportation impacts due to ongoing COVID-19 outbreak will result in significant shortages for the government, private sector, and individual consumers.
4. The pandemic will evolve beyond a medical situation and have significant secondary effects on daily operations country-wide. These effects will be felt for a period beyond the epidemic.
5. The federal government may inject stimuli via infrastructure funding to alleviate the economic impact of the pandemic.
6. Agencies that depend on state and local funding may experience further economic hardships as these resources struggle to generate funds.
7. Pressure to re-open the economy will lead to start-stop cycles, which may result in waves of the illness.
8. People will have a preference for contactless technology over human to human interactions post-pandemic. E.g., online learning, telemedicine, etc.
9. How and when universities reopen with in-person attendance represents a significant challenges to allocating resources and maintaining social distancing.
10. Revenue will continue to be volatile for many months.