

Staff Report

**CYRIDE FISCAL STATUS**

January 12, 2021

**BACKGROUND:**

At the October 28<sup>th</sup> City Council meeting, Council requested the Director of CyRide provide an update on the fiscal status of the agency. CyRide has been significantly impacted by the COVID-19 pandemic. Ridership levels have fallen about 65% compared to the same period last year, and major initiatives have been undertaken to address safety concerns surrounding the use of mass transit. In addition to operational challenges, staff has been working to address financial considerations as well.

CyRide is jointly funded at the local level by the City of Ames, Iowa State University, and the Iowa State University Student Government (SG). Contributions from students to CyRide are kept in the SG Trust Fund, which was created to stabilize CyRide revenues from short-term fluctuations in Iowa State University enrollment. Unfortunately, several years of declining enrollment have resulted in the SG Trust Fund balance being lower than the agreed upon balance target.

In 2019, CyRide presented a recommendation to the Iowa State Special Student Fee Committee (SSFC) to increase the student fee contribution. CyRide was grateful that the SSFC was open to this request and was willing to support raising the student fee to support the SG Trust Fund. Ultimately, student fees were frozen for the 2020-2021 academic year by the Board of Regents, in large part due to the financial strain on students and their families caused by the pandemic. The summer semester was online only, and no student fees were collected.

**CURRENT FINANCIAL STATUS:**

CyRide was extremely fortunate to receive \$7,028,297 in supplemental one-time funding from the federal CARES Act to assist with operating expenses. This funding was provided at a 100% federal share, requiring no match from the local funding partners. Following Transit Board approval, \$6,000,000 of these funds have been applied to the FY 2020/21 amended budget, with the remaining \$1,028,297 planned for the FY 2021/22 budget.

Lower than usual transit usage has allowed CyRide to temporarily reduce spending, particularly on extra buses sent out to accommodate high levels of ridership. Combined with changes to the Iowa State University schedule of classes, this has resulted in lower operating costs for the current fiscal year. These cost savings will likely continue during the period of reduced ridership and will help improve CyRide's financial outlook for FY 2021/22.

At the December 16<sup>th</sup> Transit Board meeting, CyRide presented and received approval from the Transit Board for a FY 2021/22 proposed budget that includes a zero-percent increase to the local funding partners. In conjunction with current year savings, this will improve the short-term financial

outlook for the SG Trust Fund. Furthermore, in 2020 CyRide recommended another increase to the student fee contribution. If approved, this will also work to strengthen the fund balance.

The attached pro-forma financial statement details CyRide's anticipated revenues and expenses over the next several years. CyRide is pleased to report that a significant ending balance is forecasted through FY 2024/25, well above the Transit Board's policy of a 7% to 10% reserve. These funds could be used to cover unexpected expenses or potential shortages in revenue to provide some additional financial security to the organization in the short term.

### **STAFF COMMENTS:**

In an unstable ridership environment, CyRide has not recommended major service changes to the Transit Board. However, once the pandemic has ended it is inevitable that passenger behaviors will change and CyRide will need to adapt its service offerings accordingly. Staff plans to bring a request to the Transit Board for a system recalibration study as ridership stabilizes to ensure that CyRide's services match rider expectations and the financial resources available to the system.

The SG Trust Fund balance predictions are sensitive to fluctuations in enrollment and the fee level assessed to each student. CyRide is not predicting a shortfall in FY 2020/21. However, current modeling does project a budget shortfall in FY 2021/22. The precise fund level will depend greatly on the specific increase approved by the SSFC and the Board of Regents, which will not be known until later this year.

If there is a revenue shortfall, several options are available to the Transit Board. These include allocating ending balance dollars, applying operating savings from FY 2020/21 to reduce local funding increases, changing the ratio of funding between the local partners, and pursuing state and federal funding to support operating costs. CyRide has traditionally been very successful at finding opportunities to leverage local dollars to secure other sources of funding and we will continue this practice going forward. As a last resort, if revenue is insufficient, CyRide could potentially curtail services. This would not be recommended by staff unless all other alternatives had been exhausted.

Looking forward, it is important to note that the predictions for CyRide's overall finances and for the SG Trust Fund assume an ongoing upward trend in expenses, which cannot be sustained at the current rate of increase. Therefore, a system recalibration study, along with cost controls, will be needed to significantly improve the outlook for CyRide's long term finances.

Compared to other transit agencies throughout the nation, CyRide has been relatively fortunate, in large part thanks to timely and significant support from the federal government. While the SG Trust Fund continues to be a concern, staff believe that there are options available to address the fund balance through a combination of cost reductions, service modifications, and student activity fee increases.

**CyRide 5 Year Pro Forma FY2022 & FY2023 0% Increase**

CARES Funds (\$6M in FY2021 & \$1M in FY2022, 5307 Funds to Capital in FY2021)

Operations	FY 20	Incr.	FY 21	Incr.	FY 22	Incr.	FY 23	Incr.	FY 24	Incr.	FY 25	Incr.	FY 26
<b>Beginning Balance</b>	<b>\$ 4,842,009</b>		<b>\$ 1,052,406</b>		<b>\$ 4,630,193</b>		<b>\$ 5,008,986</b>		<b>\$ 4,297,420</b>		<b>\$ 3,405,508</b>		<b>\$ 2,369,149</b>
State Operating	\$ 861,901	2.0%	\$ 800,000	0.0%	\$ 800,000	0.0%	\$ 800,000	0.0%	\$ 800,000	0.0%	\$ 800,000	0.0%	\$ 800,000
FTA Operating	\$ 2,494,129	0.0%		0.0%	\$ 2,250,000	0.0%	\$ 2,400,000	0.0%	\$ 2,400,000	0.0%	\$ 2,400,000	0.0%	\$ 2,400,000
CARES Monies			\$ 6,000,000		\$ 1,028,297								
ISU Administration	\$ 874,804	2.2%	\$ 893,621	0.0%	\$ 893,621	3.0%	\$ 920,430	3.5%	\$ 952,645	4.0%	\$ 990,750	4.0%	\$ 1,030,380
City	\$ 1,977,672	2.2%	\$ 2,037,720	0.0%	\$ 2,037,720	3.0%	\$ 2,098,852	3.5%	\$ 2,172,311	4.0%	\$ 2,259,204	4.0%	\$ 2,349,572
Student Government	\$ 5,151,404	0.0%	\$ 5,741,486	0.0%	\$ 5,741,486	3.0%	\$ 5,913,731	3.5%	\$ 6,120,711	4.0%	\$ 6,365,540	4.0%	\$ 6,620,161
SG Trust Fund Transfer	\$ 297,097												
Transit Contracts	\$ 263,355	3.0%	\$ 293,023	3.0%	\$ 288,173	0.0%	\$ 288,173	0.0%	\$ 288,173	0.0%	\$ 288,173	0.0%	\$ 288,173
Farebox	\$ 173,650	0.0%	\$ 227,000	-3.5%	\$ 201,500	-3.5%	\$ 194,448	-3.5%	\$ 187,642	-3.5%	\$ 181,074	-3.5%	\$ 174,737
Advertising	\$ 255,328	0.0%	\$ 250,000	0.0%	\$ 250,000	0.0%	\$ 250,000	0.0%	\$ 250,000	0.0%	\$ 250,000	0.0%	\$ 250,000
DOT/MPO/Int./Misc/Other Fed.	\$ 625,545	0.0%	\$ 233,000	0.0%	\$ 228,000	0.0%	\$ 228,000	0.0%	\$ 228,000	0.0%	\$ 228,000	0.0%	\$ 228,000
<b>Operating Revenues</b>	<b>\$ 12,974,885</b>	<b>27.0%</b>	<b>\$ 16,475,850</b>	<b>-16.7%</b>	<b>\$ 13,718,797</b>	<b>-4.6%</b>	<b>\$ 13,093,632</b>	<b>2.3%</b>	<b>\$ 13,399,482</b>	<b>2.7%</b>	<b>\$13,762,741</b>	<b>2.7%</b>	<b>\$14,141,023</b>
Wages	\$ 6,203,812	2.8%	\$ 6,696,243	2.8%	\$ 6,891,267	3.0%	\$ 7,098,005	3.0%	\$ 7,310,945	3.0%	\$ 7,530,274	3.0%	\$ 7,756,182
Normal Growth	\$ -	2.8%	\$ -	2.8%	\$ -	2.8%	\$ -	2.8%	\$ -	2.8%	\$ -	2.8%	\$ -
Benefits (no Health Ins.)	\$ 1,211,541	2.8%	\$ 1,321,427	2.8%	\$ 1,413,331	3.0%	\$ 1,455,731	3.0%	\$ 1,499,403	3.0%	\$ 1,544,385	3.0%	\$ 1,590,716
Health Insurance	\$ 753,115	8.0%	\$ 784,669	8.0%	\$ 823,903	9.0%	\$ 898,054	9.0%	\$ 978,879	9.0%	\$ 1,066,978	9.0%	\$ 1,163,006
<b>Payroll</b>	<b>\$ 8,168,468</b>	<b>7.8%</b>	<b>\$ 8,802,339</b>	<b>3.7%</b>	<b>\$ 9,128,501</b>	<b>3.5%</b>	<b>\$ 9,451,790</b>	<b>3.6%</b>	<b>\$ 9,789,227</b>	<b>3.6%</b>	<b>\$10,141,637</b>	<b>3.6%</b>	<b>\$10,509,905</b>
Internal Services	\$ 321,528	2.4%	\$ 349,216	2.4%	\$ 378,212	2.4%	\$ 387,289	2.4%	\$ 396,584	2.4%	\$ 406,102	2.4%	\$ 415,848
Insurance	\$ 269,220	5.0%	\$ 273,366	5.0%	\$ 308,360	5.0%	\$ 323,778	5.0%	\$ 339,967	5.0%	\$ 356,965	5.0%	\$ 374,814
Contractual	\$ 660,084	4.4%	\$ 1,045,442	4.4%	\$ 1,059,280	4.4%	\$ 1,105,888	4.4%	\$ 1,154,547	4.4%	\$ 1,205,347	4.4%	\$ 1,258,383
Commodities (no fuel)	\$ 496,046	3.0%	\$ 557,100	3.0%	\$ 592,551	3.0%	\$ 610,328	3.0%	\$ 628,637	3.0%	\$ 647,496	3.0%	\$ 666,921
Fuel	\$ 607,028	5.0%	\$ 1,070,000	5.0%	\$ 1,072,500	5.0%	\$ 1,126,125	5.0%	\$ 1,182,431	5.0%	\$ 1,241,553	5.0%	\$ 1,303,630
<b>Services/Commodities</b>	<b>\$ 2,354,261</b>	<b>40.0%</b>	<b>\$ 3,295,724</b>	<b>3.5%</b>	<b>\$ 3,411,503</b>	<b>4.2%</b>	<b>\$ 3,553,428</b>	<b>4.2%</b>	<b>\$ 3,702,167</b>	<b>4.2%</b>	<b>\$ 3,857,464</b>	<b>4.2%</b>	<b>\$ 4,019,597</b>
<b>Operating Expenses</b>	<b>\$ 10,522,729</b>	<b>15.0%</b>	<b>\$ 12,098,063</b>	<b>3.7%</b>	<b>\$ 12,540,004</b>	<b>3.7%</b>	<b>\$ 13,005,198</b>	<b>3.7%</b>	<b>\$ 13,491,394</b>	<b>3.8%</b>	<b>\$13,999,101</b>	<b>3.8%</b>	<b>\$14,529,501</b>
Capital Transfer	\$ 902,520		\$ 800,000		\$ 800,000		\$ 800,000		\$ 800,000		\$ 800,000		\$ 800,000
SG Trust Fund Transfer	\$ 464,178												
Committed Funds	\$ 3,243,620												
Above 10% Closing Balance	\$ 1,631,441												
<b>Ending Balance</b>	<b>\$ 1,052,406</b>	<b>10.0%</b>	<b>\$ 4,630,193</b>	<b>38.3%</b>	<b>\$ 5,008,986</b>	<b>39.9%</b>	<b>\$ 4,297,420</b>	<b>33.0%</b>	<b>\$ 3,405,508</b>	<b>25.2%</b>	<b>\$ 2,369,149</b>	<b>16.9%</b>	<b>\$ 1,180,671</b>
<b>Capital</b>													
<b>Beginning Balance</b>	<b>\$ 1,985,631</b>		<b>\$ 1,396,280</b>		<b>\$ 474,814</b>		<b>\$ 79,300</b>		<b>\$ 2,382</b>		<b>\$ 3,397</b>		<b>\$ 3,906</b>
State/Federal	\$ 1,136,072		\$ 6,934,145		\$ 2,581,530		\$ 3,084,484		\$ 2,226,940		\$ 3,181,363		\$ 3,273,694
ISU Parking	\$ 17,000		\$ 17,000		\$ 17,000		\$ 17,000		\$ 17,000		\$ 17,000		\$ 17,000
Interest	\$ 34,970		\$ 7,000		\$ 7,000		\$ 7,000		\$ 7,000		\$ 7,000		\$ 7,000
Capital Transfer	\$ 902,520		\$ 905,620		\$ 800,000		\$ 800,000		\$ 800,000		\$ 800,000		\$ 800,000
GSB Transfer													
<b>Capital Revenues</b>	<b>\$ 2,090,562</b>		<b>\$ 7,863,765</b>		<b>\$ 3,405,530</b>		<b>\$ 3,908,484</b>		<b>\$ 3,050,940</b>		<b>\$ 4,005,363</b>		<b>\$ 4,097,694</b>
Building	\$ 615,576		\$ 781,140		\$ 468,920		\$ 750,000		\$ 750,000		\$ 750,000		\$ 750,000
HIRTA Van													
HIRTA Bus													
Buses (Grants)			\$ 7,031,977		\$ 2,695,024		\$ 3,001,002		\$ 1,975,525		\$ 2,885,454		\$ 3,000,868
Buses (Local)													
Bus Stop Shelters								\$ 60,000		\$ 60,000		\$ 60,000	
Annunciators / AVL	\$ 836,466				\$ 126,700								
AVL (Local)	\$ 23,172		\$ 100,000										
Facility Improvements - Exterior					\$ 75,000								
Facility Improvements - Interior			\$ 20,000										
Shop Equipment	\$ 819		\$ 50,000		\$ 50,000		\$ 50,000		\$ 50,000		\$ 50,000		\$ 50,000
Shop Truck	\$ 29,263		\$ 22,791										
Computers/ Office Equipment	\$ 13,072		\$ 32,011		\$ 20,400		\$ 14,400		\$ 14,400		\$ 14,400		\$ 14,400
Support Vehicle			\$ 90,000		\$ 30,000		\$ 30,000		\$ 30,000		\$ 30,000		\$ 30,000
Bus Technology	\$ -		\$ 75,000		\$ 75,000		\$ 50,000		\$ 50,000		\$ 50,000		\$ 50,000
Bus Mid-Life Rehabilitation	\$ -		\$ 30,000		\$ 30,000		\$ 30,000		\$ 30,000		\$ 50,000		\$ 50,000
A&E Services	\$ 34,002		\$ 35,000		\$ 50,000		\$ 50,000		\$ 50,000		\$ 50,000		\$ 50,000
Concrete	\$ 62,688		\$ 127,312		\$ 40,000		\$ 40,000		\$ 40,000		\$ 40,000		\$ 40,000
Concrete (Shelters)	\$ -		\$ 25,000		\$ 25,000				\$ -		\$ 25,000		\$ -
Bus Stop Signs													
Flood Pumps	\$ -												
HR Software													
Electric Hoist													
Security System (Building)			\$ 200,000										
Radios	\$ 341,010												
Maint. Software			\$ 50,000										
Facility Technology	\$ 1,573		\$ 50,000		\$ 20,000								
EIFS Coating													
Safety Software					\$ 20,000								
Protection Rails (Artic Buses)					\$ 75,000								
Kronos	\$ 7,106												
Air Compressor (Shop)			\$ 25,000										
Forklift			\$ 40,000										
<b>Capital Expenses</b>	<b>\$ 1,964,747</b>		<b>\$ 8,785,231</b>		<b>\$ 3,801,044</b>		<b>\$ 3,985,402</b>		<b>\$ 3,049,925</b>		<b>\$ 4,004,854</b>		<b>\$ 4,095,268</b>
Building Reserve	\$ 715,166												
<b>Ending Balance</b>	<b>\$ 1,396,280</b>		<b>\$ 474,814</b>		<b>\$ 79,300</b>		<b>\$ 2,382</b>		<b>\$ 3,397</b>		<b>\$ 3,906</b>		<b>\$ 6,332</b>