



COLORADO

Department of Transportation

Division of Transit & Rail

2829 W. Howard Place
Denver, CO 80204-2305

TO: Transit & Rail Advisory Committee (TRAC)
FROM: Sophie Shulman, Chief, Office of Innovative Mobility
David Krutsinger, Director, Division of Transit & Rail
Brodie Ayers, Project Coordination Unit Manager
Qing Lin, Programming Unit Manager
DATE: July 10, 2020
RE: Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Phase 2 Distribution for Colorado

Purpose

Inform the TRAC of the current direction for distribution of the Phase 2 of CARES Act Funds, approximately \$12 Million in funds.

Action

Feedback requested from TRAC on whether CARES Act Approach Should Proceed or Be Adjusted for Phase 2

Background

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress, and signed into law by President Trump on March 27th, 2020. The Federal Transit Administration (FTA) subsequently announced the apportionments for \$25 Billion of those funds on April 2nd, 2020, across urban, rural, and tribal programs. Colorado received \$325 Million of those funds, with CDOT responsible for distributing nearly \$40 Million to rural transit agencies across Colorado. The remainder was allocated directly to urban and tribal organizations by FTA.

CDOT is distributing the nearly \$40 Million as follows (rounded numbers): 10% (\$4 M) for administrative & statewide efforts, 15% (\$6 M) to intercity & interregional bus network providers per 5311(f) rules, and 75% (\$30 M) to rural transit agencies around Colorado (primarily 5311 recipients). Of the \$30 Million, \$18 Million was released rapidly (May), with time to allow for adjustments on the “phase 2” release of the remaining \$12 Million (estimated mid- to late-July).

Details

CARES Act Phase 1 Distribution Summary

Colorado declared a public health state-of-emergency on March 10th. Colorado’s ski areas were closed on March 15th. School closures and stay-at-home orders were issued locally and statewide between March 16th and March 25th. Bustang and Outrider services were suspended March 29th. FTA announced apportionments of CARES Act funding on April 2nd.

Anticipating FTAs release of CARES Act funds, CDOT began early preparations to allocate, distribute, and contract out the CARES Act funds. By March 27th, CDOT and CASTA had issued a joint survey of transit agencies to gather information about the financial and health impacts of COVID-19 on transit agencies throughout Colorado. The survey results were released on April 9th in the monthly call with transit agencies. CDOT also sought the input of the CASTA Board on April 15th, some of whom are also TRAC members. Phase 1 funding announcements were made April 17th. The full TRAC was given a briefing on the process May 8th at the TRACs regular meeting, with general concurrence of TRAC members.

CDOT held a CARES Act webinar on April 21st to answer additional questions, share information about FTAs eligibility rules, and to provide “next steps” for the money to be awarded. CDOT needed to obtain “splits” between administrative & operating uses for each agency. Each agency also needed to fill out milestones & risk assessment

forms (standard FTA processes). CDOT began issuing contracts in the third week of May, prioritizing CARES Act distribution over other contracts.

As of the end of June these were the results, with Table 1 below providing additional information:

- 41 awards made, 39 of 41 are signed by sub-recipient transit agencies
- Seniors' Resource Center (SRC) made the decision to exit the transportation business, resulting in the return and re-issuance of 2 contracts for western Jefferson County (Via Mobility will assume) and Clear Creek County (the county will assume).
- One small agency turned back a portion (\$30,000) of a contract offered, asking only for what was needed.
- One medium agency reported their CARES Act Phase 1 award was far less than expected or needed.
- \$17,864,667 is the value of the final version of all 41 contracts.
 - The largest 21 agencies were awarded 94% of the CARES Act Funding in Phase 1, a total of \$16,701,529.
 - Small & very small agencies (20 total) represent 6% of CARES Act Funding in Phase 1; \$1,163,138 total.
- \$12,067,800 of the \$17,962,992 had been invoiced as of the end of June, or approximately 68% expended,
- The average was 2 months-worth of reimbursements per agency.
- 10 of the 41 agencies (one-fourth) are already >95% of their CARES Act funding spent; 7 of 10 are at 100%.

Table 1: Summary of the CARES Act Awards

| Agency Size Categories (Measured by Budget)* | # Agencies | Phase 1 Award Totals | % by Size Category | Amount Reimbursed | % Reimbursed |
|--|------------|----------------------|--------------------|-------------------|--------------|
| Very Large (>\$4 M budget) | 6 | \$12,072,428 | 68% | \$ 8,431,311 | 70% |
| Large (\$2 M - \$3.99 M budget) | 5 | \$ 2,680,534 | 15% | \$ 2,160,480 | 81% |
| Medium (\$0.5 M - \$1.99 M budget) | 10 | \$ 1,948,567 | 11% | \$ 1,246,733 | 64% |
| Small (\$0.2 M - \$0.49 M budget) | 16 | \$ 1,038,995 | 6% | \$ 168,641 | 16% |
| Very Small (<\$0.2 M budget) | 4 | \$ 124,143 | 1% | \$ 60,635 | 49% |
| Totals | 41 | \$17,864,667 | 100% | \$12,067,800 | 68% |

*Based on classification in 2016 when the current "5311 Distribution" methodology was created.

CARES Act Phase Distribution Feedback

TRAC provided advice at a June 12th special meeting. In addition, Between June 17th and June 24th CDOT conducted a follow-up survey to again take the pulse of transit agencies' financial health, and to gain feedback on CARES Act Phase 1 distribution. To the positive, transit agencies reported that CARES Act funds have helped sustain employee payrolls (prevent/reduce layoffs or furloughs), maintain service to customers (most at reduced levels, but operating nevertheless), and to be able to pay for personal protective equipment (PPE) for transit operators. Of the 48 responses received on this question, 85% (41) supported the approach used for Phase 1 distributions. Fifteen percent (15% = 7 responses) indicated that they did not support the same approach for Phase 2 distributions. The following narrative explanations were given that CDOT should consider:

- Some agencies did not need the full 17% of the first phase while others needed more
- Some agencies had greater funding concerns for 2021 rather than 2020
- Phase 2 distribution should consider an agencies' level of service (LOS) during Colorado's Stay at home order and agencies' revised transit expenses/budgets for 2020
- Phase 2 distribution should not be awarded if phase I funds have not been expended
- Upfront cost/payment for contract transit services should be reimbursed at monthly intervals to keep everyone on par
- It would be best to opt in municipalities without having a collaborative agreement with municipalities through DOLA
- Consider CARES Act 5307 funding shares to other transit providers in Denver/Boulder UZA
- Allow CARES formula to be based on population

Policy Options

Table 3, below, takes the comments from various sources and puts the ideas through a pro/con evaluation. At the far right of the table is CDOT's current recommendation as a result of the pro/con evaluation.

Table 3: Summary and Analysis of Potential Distribution Changes

| Distribution Request | Pro | Con | Recommendation or Action |
|---|--|--|--|
| <p>Consider Agencies' Level of Service during the Stay-at-Home Order</p> | <ul style="list-style-type: none"> • Smaller agencies have upwards of 50% of their budget covered by "regular" 5311 funds, so are less affected by COVIDs impacts on their budget. • Larger, resort agencies larger agencies typically only receive 3-21% of their budget from 5311 funds and their budgets are more affected by COVID impacts on sales tax revenues. • Agencies which maintained a higher level of operation were responsible, not only for payroll, but higher fuel, maintenance, PPE, and cleaning expenses, many of these expenses directly related to the legislative intent of the CARES Act. | <ul style="list-style-type: none"> • Other than full-service, reduced-service, or suspended service, a "level of service" is hard to measure. • Agencies who chose, or were forced by other regulatory agency rules into suspended service should not be penalized in their eligibility for funds. • Very small & small agencies were disproportionately put into "suspended" service by other agencies' rules. • Agency size is already considered, and therefore level of operations is less salient. • The smallest 20 agencies received a combined \$1.25 Million or 7% of all CARES Act funds. It is difficult to use "suspended" conditions to improve the outcomes of the 20 largest agencies with so little funding for the smallest. | <ul style="list-style-type: none"> • From the survey, the <i>average</i> rural agency is seeing a 12% increase in costs for COVID-related expenses and a 23.5% loss in revenue, for an <i>average</i> combined 35% budget impact. • Generally the responses indicate that large and very large agencies may be less impacted (have more funding sources) than medium, small, or very small agencies. |
| <p>Phase 2 distribution should not be awarded if Phase 1 funds have not been expended</p> | <ul style="list-style-type: none"> • Quickly spending the funds can be a relevant indicator of how urgent the need is. • Unspent funds could be an indicator that needs have been reasonably met for 2020, so remaining funds should go to other agencies. | <ul style="list-style-type: none"> • One of the agencies that expressed being under-funded by Phase 1 was among the last agencies to sign a CARES Act contract, the delay is <u>not</u> indicative of lesser need, but of the agency's own contract workload. • Not spending the CARES Act funds quickly could be that some agencies are holding the funds for later-in-the-year "rainy days" despite advice not to, or that 2021 is a bigger concern. • Other feedback given to CDOT suggests that even waiting until July for Phase 2 distribution is "too late" or makes Colorado appear like \$12 Million aren't being used. | <ul style="list-style-type: none"> • CDOT can prioritize contracts for those who have spent a high percentage of, or have completely exhausted Phase 1 funds. • CDOT check in with and/or monitor a few agencies who have a lower percentage of Phase 1 funds spent. |

| Distribution Request | Pro | Con | Recommendation or Action |
|---|--|---|--|
| CDOT should extend the contract period for CARES Act funds beyond December 31, 2020, to respond to concerns about 2021 budgets. | <ul style="list-style-type: none"> CARES Act funds are available until expended and do not have the typical 3-year “clock” on them. More schedule flexibility would allow agencies to manage their finances Although there are proposals for a transportation bill and/or additional “stimulus” bills in Congress, this is an election year and such bills are not certain. CARES Act funds are in-the-bank and may be the only helpful funds through early 2021. | <ul style="list-style-type: none"> CARES Act legislative intent is to help transit agencies during the 2020 COVID crisis. CDOT has December 31 contract expirations to prevent the roll-over of funds because most federal funds have a “clock” on them and not using funds in a timely way is perceived something between lack of need and outright mismanagement. | <ul style="list-style-type: none"> CDOT will continue to monitor the draw-down of CARES Act Phase 1 funds and consider extending those contracts later in 2020. CDOT can issue Phase 2 contracts with an expiration of December 31, 2021. |
| Consider CARES Act 5307 funding shares to other transit providers in the Denver-Boulder UZA | <ul style="list-style-type: none"> This is a good comment. The CARES Act funds, overall, are distributed by formulas looking at urban (5307), rural (5311/5311f), and tribal programs (5311c), and unintentionally did not address 5310 agency needs. | <ul style="list-style-type: none"> CDOT managed CARES Act funds are generally not eligible for use in the urbanized areas. Whatever CDOT does in the DRCOG region, will need to be consistently applied in the NFRMPO, PPACG, PACOG, and GVMPO regions. CDOT did receive money (\$1 Million) and direction from the state legislature to assist “vulnerable” and senior transportation services, which is proposed to go to 5310 urban and rural recipients. | <ul style="list-style-type: none"> These 35 5310 agencies will receive the “vulnerable” fund money separate from the CARES Act Phase 2 discussion. CDOT encourages other communities and providers in urban areas to dialogue with 5307 recipients of CARES Act funding. |

Overall Recommendations

- Adjust the Phase 2 distribution slightly away from large and very large agencies, and toward medium to very small agencies. This would look like CARES Act funding replacing close to 25-28% of all funding (Phase 1 + 2) for large and very large agencies, and close to 33-34% (Phase 1 + 2) for all medium to very small agencies.
- Write Phase 2 contracts to have an expiration date of December 31, 2021. Monitor Phase 1 contracts for close-out at the end of 2020, or extension, as appropriate.
- Write Phase 2 contracts to be eligible for capital purposes. Small and Very Small agencies reported more difficulty being able to pay for local match on vehicles.
- 5310 agencies who are not eligible for the CARES act funding may benefit from at least \$1 Million in funds provided by the state legislature.

Next steps

TRAC advice here, with minor adjustments expected. Contracts would be released mid- to late-July for signature. If there is need for further input, then delay to August.

Attachment:

DRAFT CARES Act Phase 2 Distribution Table

| Phase 2 | | CARES Act | CARES Act | Total Percent |
|---|--|---------------|---------------|---------------|
| Agency | | CARES Act | Total | Annual Budget |
| Very Large | | Apportionment | | |
| Roaring Fork Transportation Authority (RFTA) | | \$ 3,064,876 | \$ 8,299,377 | 27% |
| Eagle County | | \$ 1,272,674 | \$ 3,446,273 | 27% |
| Summit County (Summit Stage) | | \$ 1,057,976 | \$ 2,864,894 | 27% |
| Aspen | | \$ 720,562 | \$ 1,951,210 | 27% |
| Vail | | \$ 536,385 | \$ 1,452,477 | 27% |
| Mountain Village, Town of | | \$ 376,695 | \$ 1,020,052 | 27% |
| | | \$ 7,029,168 | \$ 19,034,283 | |
| Large | | | | |
| Breckenridge, Town of | | \$ 472,134 | \$ 1,206,087 | 28% |
| Steamboat Springs, City of | | \$ 395,173 | \$ 1,009,489 | 28% |
| Snowmass Village, Town of | | \$ 377,282 | \$ 963,784 | 28% |
| Winter Park, Town of | | \$ 243,226 | \$ 621,332 | 28% |
| Durango, City of | | \$ 236,505 | \$ 604,164 | 28% |
| | | \$ 1,724,321 | \$ 4,404,855 | |
| Medium | | | | |
| NECALG | | \$ 286,268 | \$ 574,221 | 34% |
| Crested Butte (Mountain Express) | | \$ 266,456 | \$ 534,479 | 34% |
| All Points | | \$ 243,126 | \$ 487,682 | 34% |
| Gunnison Valley Rural Transportation Authority | | \$ 234,847 | \$ 471,075 | 34% |
| Avon | | \$ 226,944 | \$ 455,223 | 34% |
| Glenwood Springs, City of | | \$ 216,120 | \$ 433,511 | 34% |
| San Miguel Authority for Regional Transportation | | \$ 181,492 | \$ 364,052 | 34% |
| Senior Resource Development Agency, Pueblo, Inc. (Pueblo SRDA)* | | \$ 28,900 | \$ 57,970 | 34% |
| Town of Telluride | | \$ 145,301 | \$ 291,456 | 34% |
| Black Hawk-Central City | | \$ 107,719 | \$ 216,072 | 34% |
| | | \$ 1,937,173 | \$ 3,885,740 | |
| Small | | | | |
| UAACOG | | \$ 74,259 | \$ 148,956 | 34% |
| Prowers County | | \$ 70,261 | \$ 140,936 | 34% |
| Cripple Creek | | \$ 61,710 | \$ 123,783 | 34% |
| Estes Park | | \$ 94,420 | \$ 189,395 | 34% |
| Clear Creek County | | \$ 60,843 | \$ 122,044 | 34% |
| Lake County | | \$ 51,619 | \$ 103,541 | 34% |
| Neighbor to Neighbor Volunteers | | \$ 48,124 | \$ 96,532 | 34% |
| Bent County | | \$ 44,188 | \$ 88,635 | 34% |
| East Central Council of Governments | | \$ 38,292 | \$ 76,810 | 34% |
| Teller Senior Coalition | | \$ 37,707 | \$ 75,636 | 34% |
| Park County | | \$ 15,300 | \$ 30,690 | 34% |
| Via Mobility Services* | | \$ 149,585 | \$ 300,049 | 34% |
| Disability Services, Inc. (Envida, Amblicab)* | | \$ 12,900 | \$ 25,875 | 34% |
| Western Jefferson County (Via Mobility)* | | \$ 97,750 | \$ 196,075 | 34% |
| SoCoCAA | | \$ 153,383 | \$ 307,668 | 34% |
| Huerfano/Las Animas Area Council of Governments (SCCOG) | | \$ 114,026 | \$ 228,722 | 34% |
| | | \$ 1,124,367 | \$ 2,255,348 | |
| Very Small | | | | |
| Archuleta County | | \$ 34,774 | \$ 69,649 | 34% |
| Dolores County | | \$ 33,427 | \$ 66,951 | 34% |
| Montezuma County | | \$ 29,055 | \$ 58,196 | 34% |
| City of La Junta | | \$ 26,523 | \$ 53,123 | 34% |
| | | \$ 123,778 | \$ 247,920 | |
| *Rural services only of these largely urban-serving agencies. | | | | |
| | | \$ 11,938,806 | \$ 29,828,147 | |

DRAFT for Discussion