

## MEMORANDUM

**DATE:** May 18, 2021

**TO:** Lexington-Fayette Urban County Government and Urban County Council

**FROM:** Jill Barnett, General Manager

**SUBJECT:** FY2022 Operating Budget and 5-Year Capital Plan

Each year, Lextran prepares a one-year operating budget along with a rolling five-year capital plan. The Lextran FY2022 Operating Budget and 5-Year Capital Plan are attached for the Council's consideration.

Fiscal years 2020 and 2021 were significantly impacted by the COVID-19 pandemic. Like many transit agencies nationwide, Lextran suspended fare collection in mid-March 2020 due to social distancing guidelines and an in effort to protect operators by limiting close contact with customers. Fare collection resumed on January 31, 2021, however passenger revenue remains impacted by decreased ridership.

Restrictions related to COVID, coupled with business closures, high rates of unemployment, and the shift to virtual classes resulted in significant ridership decreases from March through July. Ridership began to increase slightly in August although it has remained well below ridership in previous years. Based on our own trends and those elsewhere in the industry, passenger revenue for FY2022 has been budgeted based on the decrease in ridership which is approximately 40% less than FY2019. It is unknown how quickly ridership may recover moving forward. The same considerations have been accounted for when calculating paratransit expenses.

Federal funding for the FY2022 Operating Budget currently includes a combination of 5307 federal formula funds, as well as Coronavirus Aid, Relief, and Economic Security Act (CARES) and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) apportionments. CARES and CRRSAA funds are available on a reimbursement basis for Operating costs. The American Rescue Plan of 2021, signed by President Biden in March 2021, includes an additional apportionment for Lextran. Funds are again focused on operations, payroll, preventive maintenance, cleaning, and personal protective equipment (PPE) and available on a reimbursement basis.

State funding for FY2022 remains unknown. The legislature passed a budget for the Transportation Cabinet that includes funding intended to offset the loss of toll credits, however no details have been made available as far as how those dollars may be accessed by transit agencies. Any state funding received would be used to offset the local match (on federal grant programs) required by Lextran.

Additional notes and assumptions for the FY2022 Operating Budget:

- Property tax revenue is budgeted at a 2% increase
- Employee health insurance assumes an 8% increase
- The long-term loan was paid off in February 2021
- New Markets Tax Credits transaction dissolves in FY2022
- Labor contract negotiations are currently underway
- No increase budgeted for fuel costs
- Current management contract expires in October 2021
- Comprehensive Operations Analysis recommendations unknown at this time

If you have any questions, please call me at 859.255.7756.