

Pace response to questions presented by the Finance Working Group of the Northeastern Illinois Public Transit Task Force.

October 2, 2013
9:30 am to 11:30 am
Michael A. Bilandic Building
160 North LaSalle Street
Chicago, Illinois 60601

1. What is your view on how the region currently funds transit in terms of both process and overall funding levels?

Response: In terms of process, the allocation of RTA discretionary funding levels is too volatile and set too late in the process. It is problematic for us to address any significant variance in RTA discretionary funding with essentially two weeks between the marks date, September 15th, and our October budget release which must be approved by the Board in early October in time for the required public hearings. It would be our preference that PTF-I and RTA's 15% share of Sales Tax I funds be allocated on a prescribed basis similar to other RTA funding.

As far as our funding levels go, Pace receives an operating subsidy per capita of \$25.27 (2012) our RTA peer suburban agencies receive anywhere from two to seven times this level. We do not believe the current subsidy level allows us to provide adequate transit service to suburban markets that comprise 66% of the regions' job market and 68% of the regions' population. As a result, public transit in the region has less than a 2% journey-to-work market share in the suburb-to-suburb commute market. According to a recent Brookings Institute Study, less than 12% of suburban Chicago residents can reach a job via transit in less than 90 minutes.

Pace has been innovative and creative in serving the suburban commuter market with limited resources. Our successful van pool program and numerous partnerships with suburban employers have been effective, but limited by resources.

At current subsidy levels, there is little that can be done to systematically improve transit access to suburban job opportunities.

- 1a. Please define in detail all of your available funding resources (including local revenue sources) for both operating and capital budget.

Response: Pace operates two distinct programs, Suburban Services and ADA accounts for their activities in two distinct funds. Each program has its own unique funding sources, recovery ratio requirements and capital funding issues. For these reasons, we will answer the question separately for each individual program.

The Suburban Services program comprises all Pace services with the exception of ADA services. It includes fixed route bus, local dial-a-ride and van pool services. Using the 2013 Budget as the basis, the following table identifies available funding sources for both operating and capital purposes.

Pace 2013 Budget Funding Sources		
(000's)		
	Suburban Services	Regional ADA
Operating Sources		
Farebox Revenues	\$ 37,310	\$ 10,047
Half-Fare Reimbursement	\$ 2,610	\$ -
Advertising Revenue	\$ 4,440	\$ -
Local Share Subsidy	\$ 13,274	\$ -
Other	<u>\$ 1,530</u>	<u>\$ 2,448</u>
Sub-Total Operating	\$ 59,164	\$ 12,495
Public Funding		
Sales Tax I	\$ 80,869	\$ -
Sales Tax II & PTF II	\$ 30,371	\$ 127,767
RTA Discretionary	\$ 3,694	\$ -
Suburban Community Mobility	\$ 21,100	\$ -
South Cook Job Access	\$ 7,500	\$ -
Federal CMAQ/JARC/New Freedom	\$ 2,284	\$ -
Federal Capital Cost of Contracting	\$ 2,778	\$ -
State Funds	<u>\$ -</u>	<u>\$ 8,500</u>
Sub-Total Public	<u>\$ 148,596</u>	<u>\$ 136,267</u>
Grand Total Operating	<u>\$ 207,760</u>	<u>\$ 148,762</u>
Capital Sources		
Federal 5307	\$ 32,070	\$ -
Federal Homeland Security	\$ 1,800	\$ -
Federal CMAQ	\$ 15,310	\$ -
Pace Funds	\$ 17,150	\$ -
State IDOT Bond	<u>\$ 42,850</u>	<u>\$ -</u>
Grand Total Capital	<u>\$ 109,180</u>	<u>\$ -</u>

- 1b. Do the available funding sources adequately fund your current and projected capital and operating needs? If not, please describe your current and projected shortfall.

Response: The short answer is no. Looking at the breakdown between capital and operating – our most serious issue relates to capital funding.

As documented by the RTA Capital Asset Condition Assessment, Pace faces a backlog shortfall of \$387 million for its Suburban Services program. In addition, the 10 year outlook indicates a shortfall of \$1.5 billion. With regard to the ADA program, there is no dedicated source of capital funding resulting in a shortfall of \$398 million over the next 10 years. The lack of capital support for the ADA program contributes to increased operating costs as all capital needs for vehicles and facilities are borne by the private contractors that operate the service and are included in their operating cost hourly rates.

As far as operating funding goes, Pace has adjusted suburban program limits in order to live within available resources. In all, Pace receives about ten cents on the dollar of regional operating support. This level is grossly inadequate in terms of the market Pace is responsible to serve. The suburb-to-suburb work commute market is the largest journey to work market in the region, over 1.8 million a.m. work trips are made daily in the suburbs with less than 2% of them being served by transit.

At current funding levels, this market, which represents the economic engine of the region, in terms of sales tax generation is not well served by transit.

- 1c. Assuming no changes in current funding levels what steps will you take to address projected deficits in operating and capital budgets?

Response: Assuming status quo funding for both capital and operations, Pace will continue as it has to prioritize spending on the most critical services and capital needs. Actions such as replacing the oldest vehicles in the worst condition, conducting facility rehab work instead of replacement and prioritizing capital investments where operating savings can be realized will continue. As pressure mounts on the operating budget, communities may be asked to increase subsidies to support services. In addition to paying a 1¼% RTA sales tax, many communities in suburban Cook County subsidize Pace services in their communities. In 2013, Pace projects \$13.3 million in local community subsidies for services.

- 1d. Do you think that the allocation formula appropriately apportions available funds? What changes, if any would you make to the existing formula and why?

Response: We do not recommend any changes to the current allocation formula. The three service boards have reached a level of equilibrium or stability under the current formulas and are at least able to plan accordingly. All three service boards are under-funded and adjusting the formulas is a win/lose proposition only making matters worse for one or two agencies for the marginal and likely minimal benefit of another.

- 1e. Assuming no increase in the amount funding coming from the State, please discuss any changes in the current statute that in your opinion, could positively impact funding resources available to the region.

Response: Changes in the current statute that would positively impact available resources include TORT immunity or limits for the service boards, making Bus On Shoulder operations permanent and requiring transit signal preemption as a standard feature of any roadway improvement.

These changes can reduce our operating costs and allow us to provide more services with the same resources.

2. The current allocation format is very complicated and difficult for the general public to understand, how would you go about simplifying it?

Response: We do not believe there is a need to simplify the funding formulas in effect. They are less complex than most federal, state and local allocation processes which, like the transit formula, may not be commonly understood. The real objective is for the general public to realize the benefit of their tax contributions. That is best accomplished by providing excellent services to as broad a population base as possible. In many areas where the RTA sales tax is in effect, there is little or no transit service. The benefits of belonging to a regional system are not evident to the general public in these communities.

3. If you had a blank slate, how would you allocate funds and why/what prevents that from happening now? What issues would that raise and how would you address them?

Response: We don't believe that a sound approach to the allocation of funds can be developed in the absence of a broad consensus on regional objectives for our transit system. There has to be a balance between maintaining the existing system and developing a new system to serve the suburbs. It's no secret that suburban Cook County provides the lion's share of RTA sales tax income. Suburban job markets in Oak Brook, Schaumburg and the Lake-Cook corridor barely existed when the RTA was created. Yet, 40 years later, most suburban employment opportunities and the bulk of the region's jobs remain beyond the reach of transit for our residents.

This lack of investment in suburban markets undermines our economic growth as a region. Ultimately, the decision as to who pays and who benefits from the investment in transit is decided by our legislature and in recognition of that, it is our hope that the region's overall economic wellbeing is the top priority under consideration.