

# RTA Regional Transit Strategic Plan

## 10-Year Financial Plan Technical Group

### Meeting #7—Notes

## ATTENDEES

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First	Last	Organization	Present
Doug	Anderson	RTA	X
Sarah	Rubino	RTA	X
Peter	Kersten	RTA	X
Bea	Reyna-Hickey	RTA	X
Bill	Lachman	RTA	
Peter	Fahrenwald	RTA	
Anthony	Cefali	RTA	X
Jeremy	Fine	CTA	X
Lisa	Smith	CTA	X
Michael	Connelly	CTA	X
Michele	Curran	CTA	X
Lynnette	Ciavarella	Metra	
Alan	Ochab	Metra	X
Jeffrey	Morris	Metra	X
Brian	Stepp	Metra	
Lorri	Newson	Pace	X
Erik	Llewellyn	Pace	X
Melanie	Castle	Pace	X
David	Tomzik	Pace	X
Daniel	Comeaux	CMAP	X
Elizabeth	Scott	CMAP	X
Matt	Orenchuk	SSE	X
Alex	Hanson	SSE	X
David	Baumgartner	CS	
Baird	Bream	CS	X
Emma	Winston	CS	
Holly	Chase	CS	



2023  
Regional Transit  
Strategic Plan

Committed to Change

Equity

Stewardship

# AGENDA

## Review Grading of Funding Proposals

- Grades received from all agencies
- Rett yield lowered to '2' due to recalculation
- Grades averaged where there was not alignment
- Lack of alignment generally did not impact top 10
- Top 10, by composite score (NOT FINAL):
  1. Increase MFT by 5 cents
  2. Increase RTA sales tax by 0.25%
  3. Increase tollway tolls with increment to transit
  4. Increase state vehicle registration fee
  5. Increase State Reduced Fare Reimbursement
  6. Expand RTA sales tax to services
  7. Establish congestion pricing
  8. Implement Vehicle Miles Traveled (VMT) tax
  9. Eliminate 1.5% State surcharge on sales tax
  10. Increase State PTF match on sales tax and RETT

### Discussion/Q&A – Grading of Funding Proposals

- **Alan Ochab** – how would changing the sensitivity of the weights impact the top 10?
  - **Doug Anderson** – The weighting is fairly sensitive, and CTA proposed bumping up the Yield to 50% and dropping the timeline to 10%. If you do that it changes the top 10 significantly. We wanted something scientific behind the numbers.
  - **Jeremy Fine** – Let's not get caught up in this scientific approach because it's not; it's very arbitrary in terms of allocations. We need to make sure the ideas we are recommending are truly the ones we want to recommend.
- **Jeremy Fine** – which ones rise and which ones fall if we change the allocations? It starts getting noisy with 10 ideas and the real construct is they fall under a few major buckets. For example, each idea could fall under one of the following three categories: Sales tax/Congestion/Other.
  - **Doug Anderson** – Good idea and we will get to that later in the meeting. I think we should offer a package, or combination of a few ideas that can get us to where we need to be.
- **Doug Anderson** – Does anyone feel strongly that any of these ideas should not be included in the list of considerations?
- **Bea Reyna-Hickey** – I like the idea of the buckets, or categories, but I don't think we should eliminate any ideas at this time. We were charges with producing a "shopping list." Not that all

of these ideas would move forward, and I like the idea of combining them. Maybe we shouldn't even number them because then it implies rank.

- **Doug Anderson** – Agreed. They funding ideas are only numbered for the purposes of this meeting and they won't be ranked in the technical memo. The memo will show all ideas first, then talk about how we evaluated them, then show the top 10 (not ranked), then recommend a package of ideas that could move toward solving the gap. The memo will not be made public in and of itself, but a lot of the content will be used in the final Strategic Plan when it's adopted.
- **Alan Ochab** – Separate from the bucket idea, in my mind I'm separating this list into two categories: we're collecting public funds (truly incremental), or a takeaway from the State budget. As we think about the packages, if we're going to consider ideas that impact the State budget then I feel as though we should also recommend how they can make up those funds that they're no longer going to be having. Or limit the list to truly public funding and not anything impacting the State.
  - **Doug Anderson** – I think we need to keep the State related ideas on the list, but I get your point.
  - **Bea Reyna-Hickey** – We don't disagree that there are things on the list that are out of our control, but there's a lot of things here like that which requires buy-in from stakeholders and the political will. Yes, the State will have to look at ways to replace revenue streams, but I wouldn't look at that as our problem right now. I agree with you that some will be harder than others. Some of that was captured in the ease of implementation analysis.
- **Doug Anderson** – Setting aside that concern for now, does anyone object to any ideas on the list?
  - **Jeremy Fine** – Yes, I do in the fact that I think we need to see the impact on changing the scoring. I'd like to see what that is in order to respond better to the question.
  - **Doug Anderson** – We can do it on the fly here. If we change the allocations, the PTF match and State surcharge are out, while progressive income tax and business to business drop in the top 10.
  - **Jeremy Fine** – The progressive income tax has already been tried and that didn't work.
  - **Doug Anderson** – I think lowering the surcharge has already been talked about and has support and the PTF match needs to stay on the list.
- **Jeremy Fine** – If you go back pre-Reagan era, the large transit agencies were funded \$1 in federal funding for every \$2.25 in state and local funding for operations. I know that may be a tough climb, but we also see that New York MTA reset their estimates and are expecting to hit the funding wall in 2024 now. I don't want this to become an issue for the State only. There at least needs to be a request to force them to say no.
  - **Doug Anderson** – Yes, we didn't really have a direct federal operating support on the list of ideas.
- **Daniel Comeaux** – I think it's important to keep the State revenues in even if we haven't identified a way to pay for them because it could be part of the solution but not all of it. Also, regarding #8, the Vehicles Miles Traveled tax, that's going depend on the specifics of what we're

talking about. I know we've recommended it as a replacement to motor fuel tax as opposed to an increment on top of it. I agree with Jeremy, it seems like these could fall into three categories.

- **Baird Bream** – We do have some language for some of these funding proposals that a formal proposal would need to be drawn up for any advocacy or government affairs work the agreed upon purpose of the revenue source and what challenges/risks they're going to address.
- **Lori Newson** – A couple of these will be politically challenging for us as we move forward. For those (maybe #3 and #8) we should consider some of the other things that didn't make the cut to serve as backup to those that may be politically difficult to move forward.
- **Jeremy Fine** – Going back to this "bucketing" aspect. I don't want to solely rely on tapping the State to fix this problem.
  - **Doug Anderson** – We can always add direct federal operating assistance as an option.
- **Alan Ochab** – When we think about the Federal versus the State, obviously we have more control as to what goes on at the State level. It seems it's not 3 or 4 equal buckets. Depending on what happens at the Federal level, should we then present ideas on how to fill the gap after that?
  - **Doug Anderson** – I don't think we've thought that far ahead, but I think the goal here is just to identify what's in the universe of possibilities.
  - **Jeremy Fine** – The Federal assistance will be a steep hill to climb, but I don't want to give the illusion to the State or anybody else that it's a done deal at the Federal level, but it is something we should be trying for.
  - **Doug Anderson** – Okay, we need to add that in.
- **Lorri Newson** – We should look at our strategy in terms of ease of implementation. Take the ones that are easier/faster to accomplish while we work on the more longer-term solutions.
- **Daniel Comeaux** – If we are considering a Federal bucket, I think dedicated federal funding for ADA Paratransit operations is a particularly good avenue for that advocacy in addition to the general funding. I think it scored low because of the difficulty of federal funding not because it was a bad idea.
  - **Doug Anderson** – I like that idea also because everybody must provide ADA paratransit services, and it's an unfunded mandate so there could be some opportunity to argue that at the APTA (or other coalition) level.
- **Doug Anderson** – I wanted to point out that none of these funding ideas in and of themselves will solve our projected \$730 million problem. This is where I was going to get at trying to come up with a package recommendation.
  - **Alan Ochab** – It strikes me that some of the ideas increase over time whereas others might be more static. For example, anything that's sales tax related will increase with inflation. When we're thinking about the yield estimates for each funding proposal, is \$700 million the benchmark or is it \$700 million to \$1 billion+ since the original projections showed our deficit increasing and the observation here is that I don't think we're just trying to solve \$700 million for 2026, and I don't think we want to come back

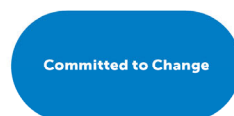
- to the trough in 3-5 years. We want to come up with a package that moves with inflation or provides enough absorption for inflation occurring in the future years.
- **Doug Anderson** – Good point, Alan. That deficit did continue to increase beyond 2026. We also didn't have any fare increases in that scenario, which won't make that much of a difference relative to the size of the deficit. Those will become necessary at some point again.
  - **Jeremy Fine** – Some remain static, and some are declining like MFT which is a big one. I think that showing different combinations will be more useful because a list gives the illusion that this can solve the problem. And to Alan's point – we cannot lose sight of the fact that we need growing revenue streams because that's the problem we were facing pre-pandemic. It's been exacerbated throughout the pandemic, but we were all facing continued strain and you saw it through the recovery ratios issues we were having every year.
  - **Doug Anderson** – What about increasing RTA sales tax by 0.25% - is that something we want to strongly recommend as a group?
    - **Jeremy Fine** – The benefit is that it yields a lot in terms of revenue, and it's quarantined within transit. The problem is that we have a high sales tax rate as it is. That one is the bulk of what we need but it's a tough one.
    - **Doug Anderson** – If you did that then the PTF would go up proportionally.
    - **Jeff Morris** – I was thinking of the circle of influence or responsibility and the fact that we did introduce a higher sales tax in 2008 when we had issues. To me it feels like if we package things with where we come from it could be better received.
    - **Doug Anderson** – I think we need to look at this more as finance people and let that step come later as we transition this list to our government affairs teams.
    - **Daniel Comeaux** – Certainly it generates a lot of revenue, but I think our concern is the regressivity of that as a potential revenue source. I understand why it's on the list but given the somewhat relative instability with the narrowness of the base there would be more work to be done to understand the transfer implications and how that would compare in terms of revenue and who's paying it versus broadening the base.

## Validation of Top 10 Funding Ideas

- Second chance for ideas that didn't make the cut.

## Revisit Recovery Ratio Discussion/Recommendation

- **Doug Anderson** – I think we're all aligned that we would recommend removal of the recovery ratio requirement. We would simply require a balanced budget in lieu of that. Continue the fare revenue recovery ratio as a performance measure. Do we need any more discussion on that? It's a significant change to the RTA Act which will require a lot of justification. The justification, in my mind, is that we have a revenue asymmetry. We used to be 50/50 whereas now we're more like 30/70 (system-generated vs. sales tax). I want to make sure that's what we're all thinking before I put that in writing.



- **Alan Ochab** – Do we have an alternative for the fare increase mechanism component of the recovery ratio? Should we have a strategy for a proposed alternative rather than wait for someone to ask?
  - **Bea Reyna-Hickey** – I think that would be negotiating against ourselves. We need to be strong on the fact that we feel it should be a metric and not a requirement associated with financial penalties.
- **Lorri Newson** – I agree with Bea; I think it should maintain the position that it should go away considering where ridership has been and where ridership could be over the next five years.
- **Bea Reyna-Hickey** – The reality is that even without COVID we weren't meeting it. Other agencies don't have the requirement, but they do report on it as a metric. The idea of having penalties associated with it is more egregious to me.
- **Daniel Comeaux** – I did appreciate Alan's point as to how this might be received. Thinking about what arguments we have in terms of if this doesn't exist as a mechanism then what are we doing to make sure that revenues and costs retain some alignment. I think it's worth starting those conversations because those are going to be questions that are asked. To Jeremy's point earlier, if the State is asked to shoulder everything the questions that will be asked if the mechanism is removed is what are the implications and how are we preparing to do it in the absence of a recovery ratio?
  - **Bea Reyna-Hickey** – I don't disagree that we should be ready for those questions, but I don't anticipate this to be a heavy political lift especially if we come prepared.
- **Jeremy Fine** – My concern with the recovery ratio is when do we roll this out? It's a difficult concept for folks that aren't in the weeds to understand, and I don't want anyone to get the illusion that they're helping us by adjusting or eliminating this. It does nothing in terms of solving the funding gap. In some ways I understand why you'd want to partner this with the larger revenue discussion but in some ways, it would be better to separate it. This does nothing in terms of dollars for us.
  - **Bea Reyna-Hickey** – Right. We weren't meeting it anyway. Eliminating it would just prevent potential financial penalties that are out there.
- **Erik Llewellyn** – Piggybacking on the recovery ratio and funding concerns, if we don't get the additional funding that we need to support the system and we still have a farebox recovery ratio at its present level that has a direct impact on what service levels we'll be able to operate. We're going to be operating services that have the most riders at the expense of other services that have less riders. That needs to be a part of the message. If we don't have these two pieces in play, the way in which we provide the service will substantially impact the region as a whole and who gets access to that service will be substantially impacted as well.

## Closeout/Q&A

- Next Steps:
  - Consultants/RTA continue draft of technical memo
  - Distribute technical memo to Working Group next week for review and feedback
  - Please provide feedback and comments on memo by August 29<sup>th</sup>
  - Final memo review at September 1<sup>st</sup> meeting

