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To: Board of Directors

From: Leanne P. Redden, Executive Director

Date: March 11, 2021

Re: Ordinance Authorizing Amendment of the 2020 Service Board and RTA Agency Operating Funding Amounts

Action Requested

Staff is requesting adoption of a proposed ordinance amending the 2020 RTA Operating Funding Amounts for the Service Boards and Agency, including an increase for 2020 ADA Paratransit funding. RTA 2020 funding for CTA, Metra, Pace Suburban Service, and the RTA Agency has increased due to better than expected sales tax results. Additional funding is required to close the final 2020 ADA Paratransit operating deficit, which will exceed Pace's amended budget by up to \$16.0 million due to higher than expected ridership and COVID-19 precautions. Since the 2020 budget year is complete, revised operating budgets will not be required.

Previous Actions

<u>Date</u>	<u>Ordinance</u>	<u>Purpose</u>
09/12/19	2019-49	Adoption of 2020 Operating Funding Amounts
05/21/20	2020-20	Adoption of Amended 2020 RTA Operating Funding Amounts
09/10/20	2020-45	Adoption of Amended 2020 RTA Operating Funding Amounts
12/17/20	2020-56	Adoption of Amended 2020 Regional Operating Budget

The RTA Board approved the 2020 operating funding amounts for the Service Boards on September 12, 2019 and subsequently amended the funding amounts twice, in May 2020 and September 2020. On December 17, 2020, the RTA Board adopted an amended 2020 Regional Operating Budget which conformed to the amended funding amounts.

ADA Paratransit Funding

The May 2020 funding amendment decreased ADA Paratransit funding by \$52 million as ridership plummeted with the onset of the pandemic. However, COVID-19 negatively impacted the efficiency and productivity of Pace's ADA Paratransit operation as Pace reverted to individual trips, rather than shared rides, to protect customers from the risk of infection. The September funding amendment approved the use of \$31.4 million from the RTA's ADA Paratransit reserve

to provide additional ADA funding needed due to this single-ride requirement and other COVID-19 mitigation actions.

The RTA Board subsequently adopted a revised Pace ADA Paratransit operating budget which conformed to the September funding level and assumed full-year ridership of 2.173 million. However, ridership recovered more quickly than expected, and finished the year 388,000 rides, or 18%, above Pace’s budget assumption. The increased number of trips in turn drove Purchased Transportation expenses higher, creating an unaudited additional funding requirement of \$14.4 million. At its February meeting, the RTA Board found the ADA Paratransit 2020 financial results to be not in substantial accordance with budget due to unfavorable expense performance and a system-generated revenue recovery ratio of 9.2%.

2020 ADA Paratransit Funding Level (in millions)	Original 2020 Budget	May Funding Amendment	September Funding Amendment	Proposed Funding Amendment	Change from Previous
Sales Tax II	\$172.9	\$121.0	\$121.0	\$133.0	\$12.0
State Funding	\$8.4	\$8.4	\$8.4	\$8.4	---
ADA Paratransit Reserve ¹	---	---	\$31.4	\$35.4	\$4.0
Total ADA Funding	\$181.3	\$129.4	\$160.8	\$176.8	\$16.0

¹ To be determined by final audited Pace results, but additional funding not to exceed \$4 million.

The table above shows the progression of ADA Paratransit funding for 2020. The RTA Act requires full funding of the ADA Paratransit operating deficit each year, and the Pace Executive Director formally requested the additional required funding in a March 9, 2021 letter to the RTA Executive Director. Staff recommends funding \$12 million of the additional need from December’s Sales Tax II receipts, with the balance, not to exceed \$4 million, to be sourced from the RTA’s ADA Paratransit reserve after final, audited Pace results are determined.

Near-Final RTA 2020 Funding Amounts

Early projections used in the first RTA funding amendment in May 2020 assumed year-over-year monthly RTA sales tax declines as large as 50%, resulting in a full-year RTA sales tax projection of \$896 million, a 28% decline versus 2019. After a few more months of actual results, the 2020 sales tax forecast was revised upward to \$1.053 billion with the second funding amendment in September 2020, representing a 16% decline versus 2019. The September funding levels are incorporated into the current 2020 operating budget, adopted by the RTA Board in December.

With only December results yet to be received, 2020 sales tax is now expected to finish the year at \$1.144 billion, a decline of about 9% versus 2019, but an increase of almost \$92 million from the current budget. The following table shows the projected funding increases by Service Board

for sales tax, PTF, and RETT, relative to the current 2020 budget. These same increases are reflected in Schedules I-A and I-B of the proposed ordinance.

2020 RTA Funding Increase (millions)	CTA	Metra	Pace	ADA	RTA	Total
Sales Tax ¹	\$18.1	\$37.4	\$14.0	\$12.0	\$10.2	\$91.7
PTF ²	\$13.7	\$2.5	\$1.1	-	-	\$17.3
RETT	\$1.6	-	-	-	-	\$1.6
ADA Paratransit Reserve ²	-	-	-	\$4.0	-	\$4.0
RTA Funding Change	\$33.4	\$39.9	\$15.1	\$16.0	\$10.2	\$114.6

¹ Includes ICE funding and, for Pace, Suburban Community Mobility Funding. CTA sales tax increase is moderated by the impact of a lower growth rate within the City of Chicago on Sales Tax I.

² To be determined by final audited Pace results, but additional funding not to exceed \$4 million.

Summary

The primary purpose of the proposed ordinance is to provide additional funding to address the final, increased 2020 ADA Paratransit operating deficit. The proposed ordinance also recognizes operating funding increases for CTA, Metra, Pace Suburban Service, and the RTA Agency, results which have already been received by the Service Boards, with the exception of December sales tax. Since the 2020 budget year is complete, pending audited results, the Service Boards will not be required to submit revised 2020 operating budgets in response to this funding amendment.

The Board is requested to approve the attached ordinance which amends the 2020 RTA operating funding amounts for a third and final time and authorizes the use of up to an additional \$4.0 million from the RTA ADA Paratransit Reserve Fund.

Prepared by: Finance, Innovation, and Technology

LPR/BRH/WDL/DKA
Attachments



550 W. Algonquin Road
Arlington Heights, Illinois 60005
847.364.8130
PaceBus.com

March 9, 2021

Ms. Leanne Redden
Executive Director
Regional Transportation Authority
175 W. Jackson Blvd.
Chicago, IL. 60604

Dear Ms. Redden:

Pace is requesting an additional \$15.775 million for a total of \$176.601 million to fund ADA Paratransit services for 2020, pending year-end adjustments.

The revised budget approved by the RTA in September provided additional funds to cover the added cost of single rides and a higher-than-expected ridership. At that time, ridership was estimated to increase by 252,000 rides or 14.9% from the previous estimate of 1.690 million rides. ADA ridership continues to rebound and is projected to be approximately 2.286 million rides or 17.7% above the revised estimate for 2020 or 62% of ADA ridership from 2019.

We would appreciate a favorable response to this request from the RTA.

Please let me know if you have any questions.

Sincerely,

Rocky Donahue
Executive Director

Richard A. Kwasneski, **Chairman**
Rachel Arfa Christopher S. Canning Terrance M. Carr Roger C. Claar David B. Guerin Kyle R. Hastings
Thomas D. Marcucci William D. McLeod Jeffery D. Schielke Erin Smith Linda Soto Terry R. Wells

Board of Directors

Rocky Donahue, **Executive Director**

**Amended RTA 2020 Public Funding Estimates for Service Board Operations
and Required 2020 Service Board Recovery Ratios**
(dollars in thousands)

	Sep 2020 Amendment	2020 Change	Mar 2021 Amendment
CTA			
Sales Tax I	323,505	13,289	336,794
Sales Tax II	56,509	4,371	60,880
PTF II	60,793	3,119	63,911
25% PTF on RETT	12,027	573	12,600
Real Estate Transfer Tax (RETT)	49,426	1,597	51,023
Non-Statutory Funding - PTF I ¹	198,357	10,040	208,397
Non-Statutory Funding - Sales Tax I ¹	910	0	910
Innovation, Coordination, and Enhancement (ICE) Funding ²	5,142	448	5,590
Total RTA Funding for Operations	706,669	33,437	740,106
System-Generated Revenue Recovery Ratio	54.75%		54.75%
Metra			
Sales Tax I	258,982	33,487	292,470
Sales Tax II	45,913	3,551	49,465
PTF II	49,394	2,534	51,928
Non-Statutory Funding - PTF I ¹	0	0	0
Non-Statutory Funding - Sales Tax I ¹	740	0	740
Innovation, Coordination, and Enhancement (ICE) Funding ²	4,178	364	4,542
Total RTA Funding	359,208	39,937	399,144
ICE Funding - Transfer to Capital Program ²	(4,178)	(364)	(4,542)
Total RTA Funding for Operations	355,030	39,573	394,602
System-Generated Revenue Recovery Ratio	52.5%		52.5%
Pace Suburban Service			
Sales Tax I	82,038	10,866	92,904
Sales Tax II	15,304	1,184	16,488
PTF II	16,465	845	17,309
Suburban Community Mobility Fund (SCMF)	21,426	1,867	23,293
South Suburban Job Access Fund (SSJA)	7,500	0	7,500
Non-Statutory Funding - PTF I ¹	4,048	205	4,253
Non-Statutory Funding - Sales Tax I ¹	247	0	247
Innovation, Coordination, and Enhancement (ICE) Funding ²	1,393	121	1,514
Total RTA Funding for Operations	148,421	15,088	163,509
System-Generated Revenue Recovery Ratio	30.3%		30.3%
Pace ADA Paratransit Service			
Sales Tax II	121,003	12,000	133,003
State Funding for ADA Paratransit	8,395	0	8,395
RTA ADA Paratransit Reserve ³	31,428	4,000	35,428
Total RTA Funding for Operations	160,826	16,000	176,826
System-Generated Revenue Recovery Ratio	10.0%		10.0%
RTA Agency and Debt Service			
Sales Tax I - RTA Debt Service, JSIF, Agency and Regional Programs	107,847	10,172	118,019
Total RTA Funding for Operations	107,847	10,172	118,019
Total Regional Operating Funding ⁴	1,482,971	114,634	1,597,604

¹ For clarification, "non-statutory funding" refers to funding which is not statutorily allocated.

² ICE funding may alternatively be budgeted by the Service Boards for capital. If used for operations, the operating expenses associated with ICE funding are excludable from the Service Board's revenue recovery ratio.

³ To be determined by final audited Pace results, but additional funding not to exceed \$4 million.

⁴ Total funding increase due to increases in sales tax, PTF, RETT, and use of ADA Paratransit reserve fund.

**Amended Cash Flow Estimates
for FY 2020 Distribution of RTA Funds to the Service Boards**
(dollars in thousands)

	CTA	Metra	Pace	Pace ADA
Jan-20	-	-	-	14,405
Feb-20	-	-	-	14,405
Mar-20	-	-	-	14,405
Apr-20	59,899	28,692	11,460	14,405
May-20	56,807	27,181	10,854	22,100
Jun-20	62,030	29,729	11,815	6,997
Jul-20	50,675	25,513	10,091	7,696
Aug-20	53,998	29,661	11,623	6,997
Sep-20	58,876	35,093	13,652	6,997
Oct-20	59,343	35,730	13,887	17,473
Nov-20	62,349	35,677	13,865	17,473
Dec-20	65,458	36,149	14,077	17,473
Jan-21	70,378	39,813	22,771	-
Feb-21	69,882	39,279	15,061	-
Mar-21	70,411	36,626	14,354	16,000
Total ^{1,2}	740,106	399,144	163,509	176,826

¹ Estimated cash disbursements from 2020 funds total \$1.480 billion. Of these funds, \$394.6 million or 26.7% are not expected to be available until the first quarter of 2021.

² Assumes 3 month delay of RTA PTF payments to Service Boards.

ORDINANCE NO.

**AMENDMENT OF THE 2020 OPERATING FUNDING AMOUNTS OF
THE SERVICE BOARDS AND THE AUTHORITY**

WHEREAS, the Regional Transportation Authority (the “Authority” or the “RTA”) adopted the 2020 operating and capital funding amounts for the Service Boards and the Authority on September 12, 2019 and adopted the 2020 operating budgets and capital programs of the Service Boards and the Authority on December 19, 2019;

WHEREAS, RTA Ordinance 2020-20 amended the 2020 operating funding amounts of the Service Boards, ADA Paratransit, and the Authority in May of 2020, and RTA Ordinance 2020-45 amended the 2020 operating funding amounts of the Service Boards, ADA Paratransit, and the Authority for a second time in September of 2020;

WHEREAS, RTA Ordinance 2020-56 adopted revised 2020 operating budgets of the CTA, Metra, Pace Suburban Service, ADA Paratransit, and the RTA Agency, including the use of up to \$31.4 million from the ADA Paratransit Reserve fund;

WHEREAS, actual sales tax, Public Transportation Fund (PTF), and Real Estate Transfer Tax (RETT) receipts have outperformed the estimates established in RTA Ordinance 2020-45 and incorporated into the amended regional operating budget by RTA Ordinance 2020-56;

WHEREAS, Section 2.01d of the RTA Act requires the Authority to fully fund the operating deficit of Pace ADA Paratransit; and

WHEREAS, in a letter dated March 9, 2021, the Pace Executive Director notified the RTA Executive Director that the 2020 ADA Paratransit funding requirement had increased by up to \$176.8 million due to recovering ridership and ongoing COVID-19 mitigation efforts.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE REGIONAL TRANSPORTATION AUTHORITY that:

- 1) The amounts of RTA funding estimated to be available for funding the 2020 operating deficits of the Service Boards are amended as set forth in Schedule I-A attached hereto, and the projected cash flow of RTA funding to the Service Boards by month is amended as set forth in Schedule I-B. The amounts include additional ADA Paratransit funding of \$12.0 million to be sourced from December Sales Tax II.
- 2) Up to an additional \$4.0 million of 2020 ADA Paratransit funding is authorized to be sourced from the RTA ADA Paratransit Reserve fund, providing total reserve funding of up to \$35.4 million as set forth in Schedules I-A and I-B, with the exact amount to be determined upon finalization of Pace’s 2020 financial statements.

- 3) Nothing in this Ordinance is intended to or shall have the effect of waiving any discretion the RTA may have under law to subject to review the determinations made in this Ordinance, including, but not limited to, allocation of operating funds among the Service Boards.
- 4) All provisions of previously adopted ordinances and resolutions not expressly amended or repealed by this amendatory ordinance remain in full force and effect.
- 5) The Executive Director is hereby authorized and directed to inform each of the Service Boards of the amounts and purposes of available funding sources, and to take such action as the Executive Director deems necessary or appropriate to implement, administer, and enforce this ordinance.