Regional Transportation Authority

175 W. Jackson Blvd.
Suite 1650
Chicago, IL 60604
312-913-3200
www.rtachicago.org

To: Board of Directors

From: Leanne P. Redden, Executive Director

Date: June 10, 2021

Re: Presentation on Performance-Based Capital Allocation

Staff will provide recommendations for a Performance-Based Capital Allocation structure that can be used to distribute 2025-2026 Federal and PAYGO capital funds to the Service Boards.

Background and Proposal for Discussion

In December 2019, the RTA Board commissioned a new Performance-Based Capital Allocation Process Committee to develop more rigorous communications and reporting around the capital program. In July 2020, the Committee published and invited public comments on the Draft Framework for Transit Capital Investments. The document improved transparency in how public transit projects are chosen and demonstrated that capital programming does not occur in a vacuum but is part of several regional processes that consider a variety of metrics and provide several opportunities for public engagement. At the further direction of the RTA Board, the RTA and Service Boards continued the discussion in 2021.

A proposed Performance-Based Capital Allocation structure was developed by RTA staff through a series of five weekly meetings with Service Board staff between April 6 and May 4. The proposed structure is described in Attachment A of this memo. It considers each agency's overall capital need, efficiency of spending, and advancement of regional policy priorities. Attachment B includes comments from the Service Boards on the proposal, along with RTA staff responses to those comments.

Next Steps

Detail on the proposed structure will be presented to the Board for discussion at the June 17 meeting. Following the meeting, the proposed structure will be released for a public comment period from June 17 to July 1, 2021. At its meeting on Thursday, July 15, 2021, the RTA Board will consider adopting the proposal and initiating it with the 2022 Annual Capital Budget cycle.

Prepared by: Capital Programming & Planning

LPR/JL/JHH/PF/PK
Attachments.

Attachment A: Proposed Performance-Based Capital Allocation Structure

June 10, 2021

Introduction

After decades of underfunding and facing a $20 billion backlog of transit capital needs, the region needs a transparent, equitable, and data-driven process for allocating existing funds that ensures limited public dollars are being invested wisely. The Regional Transportation Authority (RTA) is committed to a capital allocation process informed by long-range planning and policy priorities, as well as data and performance metrics, that advances regional goals.

Invest in Transit, the 2018-2023 Regional Transit Strategic Plan for Chicago and Northeastern Illinois, laid the foundation for an increased emphasis on performance-based programming and established goals and core requirements for infrastructure investment for the region's three transit Service Boards (the Chicago Transit Authority or CTA, Metra, and Pace). It guides new resources to projects that maximize public benefits for riders and the region's economy.

Following a unified advocacy effort, the passage of *Rebuild Illinois* in June 2019 was a significant step forward. As the first State of Illinois capital bill in more than a decade and the largest in Illinois history, *Rebuild Illinois* put CTA, Metra, and Pace on a path toward sustainable improvement. The bill provides the Chicago region's transit system with $2.6 billion over five years in new state bond funding and an estimated $227 million annually ($1.135 billion over five years) in sustainable revenue, referred to as "PAYGO" funding. While the funding contained in the bill represents significant progress, the bill still falls well short of the region's projected transit capital needs over the next decade, and without additional long-term funding solutions, a significant share of that need remains unaddressed.

To ensure effective stewardship of Rebuild Illinois' funds, in December 2019, the RTA Board commissioned a new Performance-Based Capital Allocation Process and a working group of RTA and Service Board staff met to develop more rigorous communications and reporting around the capital program. In July 2020, the Draft Framework for Transit Capital Investments was published and available for public comment. The document was intended to improve transparency in how public transit projects are chosen and funded in Northeastern Illinois. The framework provided cohesion between numerous processes for planning and programming capital investments in public transportation that are led by the Chicago Metropolitan Agency for Planning (CMAP), RTA, and the Service Boards. The document demonstrated that transit capital programming does not occur in a vacuum but is part of several larger processes that consider a variety of metrics and provide several opportunities for public engagement. Despite

not being adopted by the RTA Board, the document was one step on a long-term journey toward increasing emphasis on performance-based programming and many of its ideas were integrated into the 2021 budget process.

At the direction of the RTA Board, the RTA and Service Boards continued the discussion and worked toward a new performance-based Capital Allocation Structure, described in this memo, that takes into account each agency's overall need supported by data, efficiency of spending, and policy priorities that advance regional goals.

Much of this work was done during the ongoing COVID-19 crisis. The pandemic brought unprecedented challenges for transit operations in the Chicago region, including devastating losses in ridership, farebox revenue, and sales tax receipts. Throughout the pandemic, CTA, Metra, and Pace workers were heroes moving heroes and as they continued to provide more than 500,000 rides per day for essential workers and the most truly transit dependent – demonstrating transit's critical value to our regional economy and quality of life. The pandemic also highlighted longstanding inequities in the region. Those who were most reliant on public transit during the pandemic were riders who often did not have the choice to stay home, such as workers in essential and in-person jobs, riders with lower incomes, or riders who identified as Black – all populations who were hardest hit by the pandemic's health and economic impacts.

As the region looks toward recovery, the RTA has worked to incorporate the lessons learned during the pandemic and as described in the allocation section of this memo, will put new emphasis on funding projects that advance policy priorities of improving equity and achieving full accessibility.

New Capital Allocation Structure

The new Capital Allocation Structure described in this memo is another step in ensuring that the RTA is systematically investing its capital funding consistently with the region's agreed upon principles, goals, and priorities. It expands on existing work to ensure that investment decisions are driven by data and need while furthering the region's policy goals and is a direct implementation of *Invest in Transit.* The proposed structure, if approved by the RTA Board, will be used to allocate 2025-2026 state PAYGO funds and federal 5307/5340, 5337, and 5339 funds that have not yet been allocated by the RTA Board for those years. The proposed Allocation Structure is strictly for the allocation of these specific state and federal funds and does not change funding eligibility requirements.

The new Capital Allocation Structure developed in 2021 is guided by three principles:

1. **Addressing Capital Reinvestment Need** of the region by allocating funds to the three Service Boards based on their respective proportions of the funds needed to bring all assets into a State of Good Repair (SGR) in 20 years. State of Good Repair (SGR) is achieved when the backlog of assets exceeding their useful life is eliminated and the needs for normal replacement, rehabilitation, and annual capital maintenance of assets is met.
2. **Incentivizing Capital Expenditure Performance** by applying performance targets related to capital program delivery to encourage and reward timely, efficient capital spending. Ideally, capital projects will be actively underway to deliver 20% of the 5-year program each year so that the average age of all grants never exceeds 2.5 years.
3. **Advancing Policy Priorities** by ensuring that the entire regional five-year capital program advances regional goals, and that special emphasis is placed in areas of immediate importance to the agencies: Equity and Accessibility.

Capital Reinvestment Need

The capital reinvestment need for the RTA region and individual Service Boards has been well-established by work completed by RTA over more than a decade, and thus is recommended by staff as the primary basis for capital allocations. The RTA initiated a capital asset condition assessment program in 2009. The primary goal of that effort was to estimate the total capital needs for each of the Service Boards and develop a framework to prioritize capital projects based on a condition assessment of the current asset inventory. In 2016, the RTA published the fifth regional Capital Asset Condition Assessment.

In 2016, the Federal Transit Administration also established requirements for agency development of transit asset management (TAM) plans and reporting of asset conditions on an on-going basis. At that time, the RTA transitioned its TAM activities to a strategic asset management (SAM) framework to monitor the SGR of all of the regional transit assets as a combined portfolio. The Service Boards are now required to maintain TAM programs, plans, and datasets for submission to the National Transit Database (NTD). While RTA and the Service Boards advance their SAM and TAM activities, the 2016 Capital Asset Condition Report remains the only regionwide comprehensive source of information on capital asset need and thus is used to establish a definition for Capital Need used in the new allocation structure.

Figure 3-18 in the Capital Asset Condition Assessment outlines the $2.581 billion annual investment needed for the region to attain a State of Good Repair (SGR) in 20 years and each Service Board's proportion of this regional need: $1.54 billion or 59.7% for CTA; $847 million or 32.8% for Metra; and, $194 million or 7.5% for Pace. The region's current capital funding levels are still well below this required annual investment; meanwhile, the proportional distribution of need across the three service boards represents a fair distribution of the region's limited capital funding.

As RTA's SAM work continues, the regional comprehensive dataset and model used for SAM analysis will be updated with new data to reflect the investments made by each Service Board since 2016 and their updated asset conditions.

In the new allocation structure, half of the funds will be allocated solely based on the capital need as defined in the 2016 Capital Asset Condition Assessment. The other half of the funds will be allocated based both on this understanding of capital need and capital expenditure performance as described in the next subsection.

Upon adoption of this allocation framework by the RTA Board, the use of Capital Need as the main basis for allocations will be used to distribute the 2025 and 2026 capital funds to the Service Boards.

Capital Expenditure Performance

The RTA Board has a vested interest in timely and efficient expenditures of capital. In the new allocation structure, half of total funds allocated based on the 20-year SGR need would have Expenditure Performance metrics applied to each Service Board's allocation, reducing an individual Service Board allocation if targets are not met. This approach to capturing performance strikes a balance between the importance of a stable and predictable funding stream for Service Board capital project programming and the regional need to expend capital funds efficiently.

Metrics for Expenditure Performance

Two metrics would be used to measure Expenditure Performance, each with its own target:

1. *Average Age of Funds – this measure monitors aging of the entire grant portfolio to ensure that, on average, no funds are getting too old. With the intent of spending all funds within the 5-year capital program, the target for this metric is an average age of 2.5 years.*

2. *Percent of Available Funds Spent in Current Year – this measure helps us ensure that expenditures are occurring each year commensurate with the capital program size. The target for this metric is for 20% of funds to be spent in each year of the 5-year capital program.*

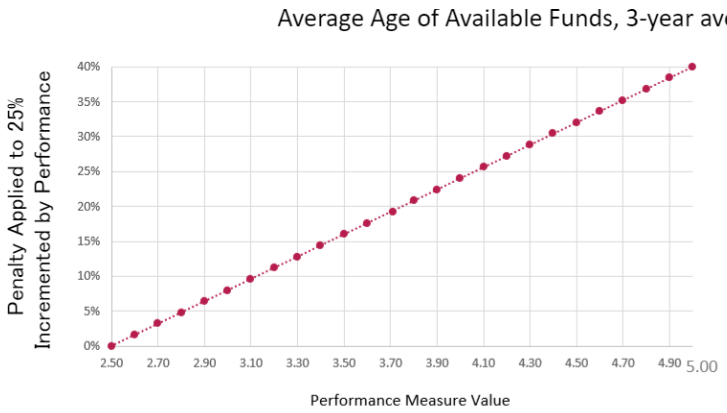
Both measures would be calculated based on the average of the three previous years, which is important to smooth any anomalies from a single year, but still measure recent performance.

Application of Metrics

Each of the two measures would be applied independently to half of the funds allocated in this way. Based on the target, each Service Board would be assessed against it. If performance is better than the target the full need-based allocation would be made. If a Service Board falls short of the target, this may be an indication that the agency is not ready to spend the funds available and those funds may be better held in a regional discretionary fund. As a result of the shortfall, an incremental loss of funds would be assessed based on how far off the target the agency is. To protect against a large year-to-year swing, the loss from each measure would not

exceed 10% of a Service Board's total annual base allocation, or a maximum loss of 20% from both measures together. Charts showing how these penalties would be applied and example data from 2019 are shown in Figures 1 and 2.

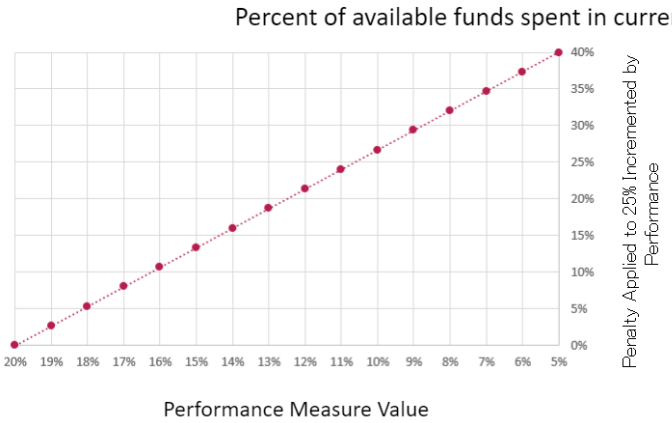
Figure 1: Chart for calculating allocation penalty to be applied if Service Board does not meet regional goal for "Average Age of Funds" performance metric, with 2019 data for each Service Board shown as an example.



Measure Year	CTA	Metra	Pace	Regional Goal
2019	2.59	2.66	3.50	<2.5 yrs

- Penalty begins at 2.5 years
- Full Penalty at 5.0 years

Figure 2: Chart for calculating allocation penalty to be applied if Service Board does not meet regional goal for "Percent of Available Funds" performance metric, with 2019 data for each Service Board shown as an example.



Measure Year	CTA	Metra	Pace	Regional Goal
2019	32.6%	25.9%	28.8%	>20%

- Penalty begins at 20%
- Full Penalty at 5%

Upon adoption of this allocation framework by the RTA Board, the use of Capital Expenditure Performance would be applied to distribution of the 2026 capital funds to the Service Boards.

Withheld Funds

Any funds withheld from the application of the performance metrics would be held in a regional, discretionary set-aside. A process for distributing these funds will be developed as part of Step 3 of the RTA's COVID Recovery Strategy.

Policy Priorities

To ensure the 5-Year capital program is a coherent set of projects advancing regional goals, three primary elements from work by RTA and the Service Boards are employed as inputs:

1. Strategic Goals – Goals articulated in the Regional Transit Strategic Plan *Invest in Transit*
    a. Deliver Value on Our Investment: This goal focuses on fiscal responsibility and maximizing the region's investments in transit.
    b. Build on the Strengths of Our Network: This goal focuses on service improvements and infrastructure investments in key transit markets throughout the region.
    c. Stay Competitive: This goal focuses on the ability of the transit system to satisfactorily meet customer needs and attract riders.
2. Core Requirements – Core Requirements are central values to the activities of the Service Boards. They are noted in *Invest in Transit* and are non-negotiable elements of agency operations that transcend immediate areas of focus. RTA is committed to addressing them through the regional capital programming process.
    a. Maintain and Improve Safety and Reliability: These projects ensure that aging assets are maintained and replaced when needed to maintain the continuity of safe and reliable operations throughout the existing regional transit system.
    b. Achieve Full Accessibility: These projects move towards achieving full accessibility of the transit system to all riders, including those with physical disabilities.
    c. Meet Regulatory Requirements: These projects might include new systems such as Metra's required $400 million investment in Positive Train Control (PTC), new vehicle standards to meet crash or emission requirements, or technology to support security or reporting requirements.
    d. Improve Equity: These projects would improve access to transit and access to opportunities across the large and diverse RTA region.
3. Priority Projects – The Service Boards established a set of Priority Projects in *Invest in Transit* and have reported on the funding for each of these projects in subsequent 5-Year Capital Budget submittals, as well as the amount of funding needed to complete these projects in the next 10-years. The 10-year regional capital funding need is currently $33.8 billion and includes 72 projects. In last year's 5-year capital program, 91% of the projects proposed by the Service Boards fit into one of these Priority Projects.

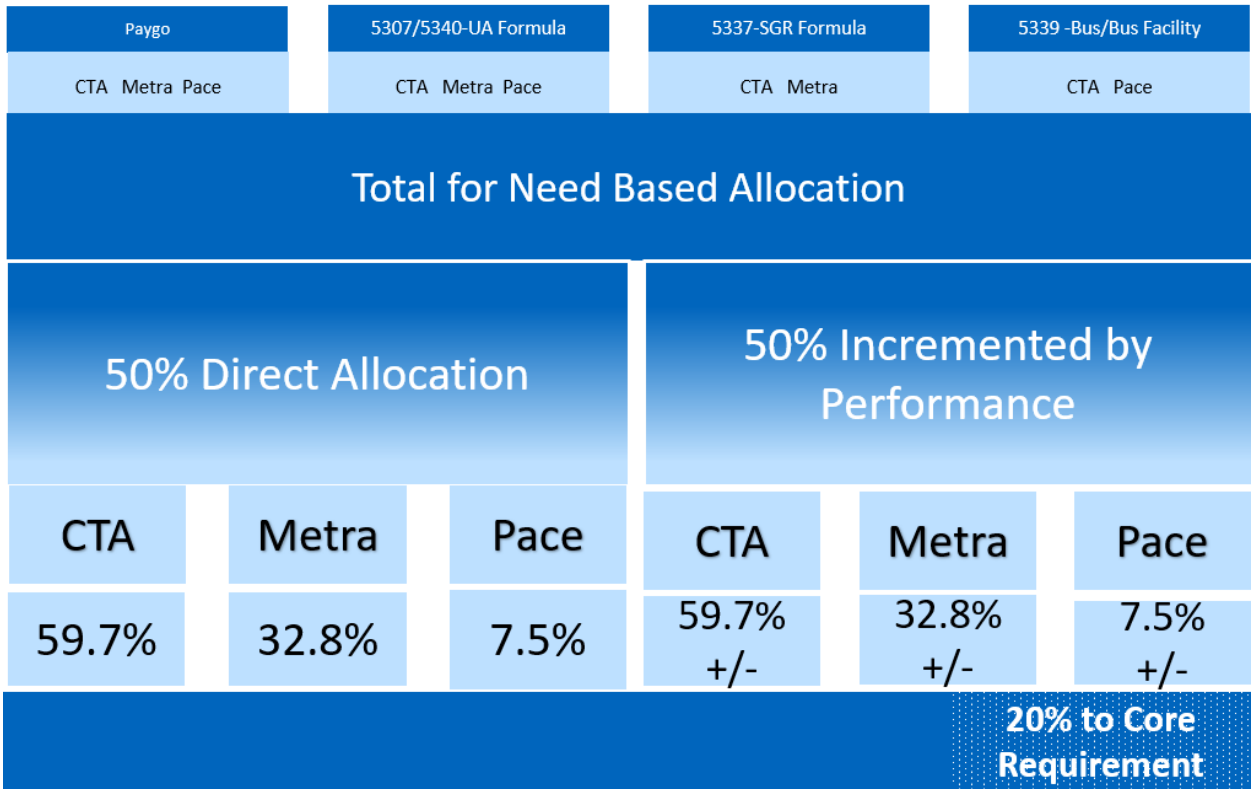
Dedicate Funds for Accessibility and Equity
COVID-19 has shone a light on the essential role of transit for basic mobility. The Core Requirements of Achieve Full Accessibility and Improve Equity are the most pressing policy priorities today and will be treated in a new way through this allocation process.

Annually, each Service Board will program a minimum of 20% of the funds allocated through this Capital Allocation Structure towards projects which meet either the Accessibility or Equity Core Requirement. These projects would be expected to be drawn from the unfunded Priority Projects, a set of projects which meet strategic goals of the region.

Summary

The Capital Allocation Structure in summary:

1. Service Board funding allocation based on their proportion of the regional annual need to achieve a State of Good Repair in 20 years.
2. Half of that allocation has Capital Expenditure Performance metrics applied, withholding funds where targets are not achieved, up to 20% of total base allocation.
3. Each Service Board required to program 20% of annual allocated funds on projects which meet either the Core Requirement of Achieve Full Accessibility or Improve Equity.



Next Steps

This memo and the new Capital Allocation Structure will be open for public comment from **June 17 to July 1, 2021**. Email communications@rtachicago.org to comment. The RTA Board will consider the new capital allocation process for adoption when it meets on July 15, 2021, and, if approved, it will be used in the upcoming budget process, which will allocate funding for 2025 and 2026.

This memo comes as the RTA is moving into Step 3 of its COVID Recovery Strategy, which will include the development of a new five-year strategic plan for the region's transit system with an outlook of 2023 and beyond. This effort will replace *Invest in Transit* and provide an opportunity for wide engagement on new and updated policy priorities and goals. The Capital Allocation Structure highlighted in this memo sets the RTA up for a future where capital funding can be performance-based and data-driven, but also flexible and responsive to these regional goals and priorities.

Attachment B: RTA Response to Service Board Comments on Performance-Based Capital Allocation Structure

June 7, 2021

Pace, Metra and CTA provided comments to RTA regarding the Performance-based Capital Allocation Structure memo ("the memo") distributed May 12 by RTA. Service Board comments and RTA responses are summarized in this document.

Summary of Group Comments and RTA Response

The contents of the comments vary by agency. Some comments are specific to one agency and are addressed in the individual agency responses. Most other comments can be grouped into the following common themes:

1. Delay timeline of adopting an agreement.

   RTA Response: The RTA Board and leadership have directed staff to develop a process for performance-based capital allocations in order to provide complete funding allocations to each Service Board for the purposes of developing the 2022-2026 Capital Program. Extending the process will delay the development of the agency and region's Five-Year Capital Programs, and could result in the need for RTA to allocate both 2025 and 2026 funds to a region set-aside until a process can be developed in 2022. Such a delay could impede the Service Board's ability to proceed with capital construction contracts and is not recommended by RTA staff. Furthermore, the RTA Board has given us direction to initiate Step 3 of the COVID Recovery Strategy that includes updating the Strategic Plan and allocating the additional federal funding relief.

2. Change the conceptual basis for the allocation.

   RTA Response: The RTA and Service Board working group built the proposed allocation process based on addressing capital reinvestment need, incentivizing capital expenditure performance, and advancing policy priorities. Changes to this proposal is a significant diversion from what the group has discussed and would result in delays described in Response 1, and is not recommended by RTA staff.

3. Change the scope of the funds included in the allocation.

   RTA Response: The scope of this allocation process is limited to the 2025 and 2026 PAYGO and federal capital funds, and future funds from the same specific sources.

4. Change the years considered in performance calculations and the data which the changes would go into effect.

RTA Response: The RTA and Service Board working group discussed that three years of data would be included, and already have agreed to hold harmless the agencies for performance in the 2025 allocation. Changes to this is a significant diversion from what the group has discussed and would result in delays described in Response 1, and is not recommended by RTA staff.

5. Decide now what will be done with the set-aside that results from the application of capital expenditure related performance metrics.

   RTA Response: The working group discussed that any funds withheld from the application of the performance metrics would be held in a regional, discretionary set-aside. A process for distributing these funds will be developed as part of Step 3 of the RTA's COVID Recovery Strategy. Changes to this is a significant diversion from what the group has discussed and would result in delays described in Response 1, and is not recommended by RTA staff.

6. Clarify requirements of structure including eligible use of funds, and the data and calculations used to determine allocation amounts.

   RTA Response: Additional clarification will be added to a revised memo and forthcoming budget documents to address areas of uncertainty flagged in the comments.

RTA recommends the following steps to address these comments:

- Additional clarification will be added by RTA to the revised memo to address areas of uncertainty flagged in the comments.
- RTA will provide the Service Board's comments and responses in this document to the RTA Board as part of the board materials to ensure that the Service Board concerns are fully-vetted with the RTA Board.
- The RTA will include detailed data and calculation information used to calculate the agency allocations in the capital budget-related RTA Board materials including the memo and ordinances as relevant.

Individual Agency Responses

Pace

Pace's letter is attached. The following summarizes Pace's comments and RTA responses.

Comment: "we recommend that decisions on the 2025-2026 capital allocations should be given a broader timeline. Extending the process will also allow for improved stakeholder communication, input, and consideration."

RTA Response:

- See Response 1 above.
- The Allocation Memo and new Capital Allocation Structure will be open for public comment from June 17 to July 1, 2021.

Comment: "For example, the proposed capital need metrics focus solely on state of good repair needs and do not factor future growth or new market opportunities. Pace proposed incorporating population into the calculation for the RTA's consideration."

RTA Response: See Response 2 above.

Comment: "Pace proposed that federal funding should not be included in the initial performance calculations, until the process becomes refined and successfully demonstrated with state funds. Maintaining historical federal funding levels would provide a more stable and reliable source of funds for capital planning."

RTA Response: See Response 3 above.

Comment: "While we agree in principle with the spending and grant age performance metrics, we feel that any withholdings should not be assessed for prior year measures. We appreciate the consideration by the RTA to delay performance penalties for 2025 and hope you will also consider 2026 (which uses 2018-2020 data)."

RTA Response: See Response 4 above.

Comment: "We also would like the RTA to consider the Regional ADA Paratransit program as a recipient of a portion of these withheld funds, as it aligns with the core requirements of accessibility and equity."

RTA Response:
There has not been a separate funding allocation to Pace for the Regional ADA Paratransit program for federal or state PAYGO funds nor has there been a separate asset category in the Capital Asset Condition work. RTA recommends if Pace would like to pursue this, it be

evaluated and considered as part of the next update to the asset database in the COST model.

Metra

Metra's email is attached. The following summarizes Metra's comments and RTA responses.

Comment: "Can a Service Board only use the "Direct Allocation" funds towards the State of Good Repair component of a capital project?"

- Would the enhancement or expansion component of a project need to be funded out of the "Performance Allocation" funds?

  OR

- Would each Service Board be required to show that they are spending at least 50% of their total allocation toward the State of Good Repair components of their projects?"

RTA Response: Funding eligibility varies by funding type and current requirements will not be changed by this process. Said another way, the differentiation between Direct Allocation dollars and the Performance Allocation dollars described in the allocation formula is strictly for allocation formula purposes and does not determine funding eligibility requirements.

Comment: "How will the RTA Bonds that will be programmed in 2025 and beyond be allocated? Those funds are not currently identified in the proposed allocation process, and if another process will be used Metra would like that process to be defined at this time."

RTA Response: See Response 3 above.

Comment: "Will the performance measures always use the most recent prior three complete years as per example? Metra is agreeable to this, but we want to make sure that the years are selected on a consistent basis."

RTA Response: Yes, proposal is to annually update the performance measure to use the three most recent years.

Comment: "How will RTA be defining whether 20% of the funding for each Service Board is used for Accessibility and Equity?"

RTA Response: Projects selected to fulfill the Accessibility & Equity requirement would be determined by Service Boards based on the general definitions for each provided in the Framework for Transit Capital Investments and reiterated in the memo. This explanation can also be included in budget call documents.

Comment: "Metra is concerned about the quality of the State of Good Repair backlog data from the 2016 COST model, partially because this does not include Positive Train Control (PTC). Some components of that system will require replacement by 2025.

- Would it be possible to partially allocate 2025 and 2026 based on the data available while holding back a portion of the funds? Then, between now and November complete an update of the data in the COST model, with the remaining funds in 2025 and 2026 allocated at the December 2021 RTA Board meeting."

RTA Response: Updating the asset database in the COST model is underway but will take approximately one year to complete. See Response 1 above.

Comment: "How will the total withheld per agency for not meeting performance guardrails be used?"

RTA Response: See Response 5 above.

Comment: **"**If this allocation process is adopted by the RTA board, will the same percentages be used for operating allocation process?"

RTA Response: See Response 3 above.

Comment: **"**Instead of imposing the guardrail performance penalty in 2025 start the process in 2026, to allow service boards a chance to adapt and understand the new process."

RTA Response: See Response 4 above.

Comment: **"**The ordinance should contain an appendix with the definitions and if possible, sample calculations."

RTA Response: See Response 6 above.

CTA

CTA's email is attached. The following summarizes CTA's comments and RTA responses.

Comment: "CTA recommends that we, as a group, need to determine now how the set-aside would be allocated and used. This is too big of an issue to kick the can
Stated another way, we are against any set-aside until this issue is resolved "

RTA Response: See Response 5 above.

Comment: "Benchmark goals should be established so that the service boards currently attain them and would only be penalized if they fell short of those current spend rates."

RTA Response: Regional targets for the two measures related to expenditure performance are described in the memo. As discussed in working group meetings, the spending performance goals are based on the intent to have funds spent within 5-years.

Comment: "As previously highlighted, CTA recommends using a hybrid of PAEUL and SOGR

- PAEUL is a good measure for vehicles, since there is only so long that any vehicle will ever be in service
- SOGR is better measure for Facilities and Infrastructure, where the definition of "useful life" and the ability to maintain the assets is complicated and location specific."

Note: This comment is a reference to an earlier comment provided by CTA via email on May 7 that included a proposal that RTA should use the Backlog distribution provided in the Capital Asset Condition Assessment in lieu of the method proposed, on the basis that the agencies different useful life assumptions present in the COST model affect the future needs estimates disproportionately.

RTA Response: RTA prefers to take a forward-looking approach to characterizing our need by looking at the 20-years to achieve a state of good repair because it captures both the cost to address the backlog as well as the normal replacement, rehabilitation and annual capital maintenance needs for all agencies. Regarding the differing agency assumptions about asset useful life benchmarks, the assumptions in the current COST model were collectively approved when the last Capital Asset Condition Report was issued, and cannot be changed until more collective discussion occurs with the update of the model through RTA's SAM activities over the next year. See also Response 2 above.

Comment: As previously highlighted, CTA recommends incorporating prior bond issuances and the reciprocal reduction in its SOGR into the calculations.

Note: This comment is a reference to an earlier comment provided by CTA via email on May 7 that indicated that CTA's debt service should be given special consideration in the allocation on the basis that the issuance of debt reduced the region's current and future backlog of 2016 thus lowering CTA's relative share of calculated need. CTA proposed two approaches for adding CTA debt service to the calculation including an "Above-the-line adjustment in final calculation" that would provide a higher share of capital funding to CTA to account for debt service and a "Modified Regional COST Model Inventory" that would entail changing the asset inventory data in the COST model by replacing the service date of assets that had been purchased with debt with the dates of the assets that were retired to continue to keep the cost of these assets in the model.

RTA Response: As previously stated, RTA prefers to take a forward-looking approach to characterizing our need by looking at the 20-years to achieve a state of good repair because it captures both the cost to address the backlog as well as the normal replacement, rehabilitation and annual capital maintenance needs for all agencies. CTA already uses federal funds to pay for debt service, so the most forward-looking approach for allocating the current funding is to focus on improving asset condition going forward. See also Response 2 above.

Comment: "While we agree with the general direction of the policy priorities, those should be revisited and goals adjusted to accommodate success in those areas. For example, CTA should be rewarded, not punished, as it pushes closer and closer to its goal of 100% accessibility."

RTA Response: The goals and core requirements were jointly established, publicly vetted, and published in Invest in Transit and the Framework for Transit Capital Investments. Any changes to these goals will need to be made during the new strategic planning process conducted as a part of Step 3 of recovery. See also Response 2 above.

Comment: "In any methodology, including the one proposed, there are a lot of assumptions and definitions that impact calculations (e.g., PAEUL, SOGR, spend down metrics). As such, we propose finalizing those discussions prior to final approval."

RTA Response: The methodology used in this approach is largely based on work jointly developed, previously published, and made publicly available by the RTA and Service Boards in the 2016 Capital Asset Condition Assessment, the Framework for Transit Capital Investments, and Quarterly Strategic Performance Reports presented to the RTA Board. The only new information included is the capital expenditure performance data, that will be included as part of this process.

pace

Connecting Communities

Rocky Donahue
Executive Director

May 25, 2021

Ms. Jill Leary
Chief of Staff & Senior Deputy Executive Director
Capital Programming and Planning
RTA
175 W. Jackson Blvd., Ste. 1650
Chicago, IL 60604

Dear Ms. Leary,

Thank you for the opportunity to provide comments on the draft performance-based capital allocations memo.

As you are aware, the committee began with a Feb. 6, 2020 kick-off meeting, prior to any of our transit systems enduring the effects of the pandemic. Since that time, COVID-19 continues to significantly impact how people commute, ridership patterns and demand. At this time, we still do not know what the 'new normal' will look like. Because of these unknowns, we recommend that decisions on the 2025-2026 capital allocations should be given a broader timeline. Extending the process will also allow for improved stakeholder communication, input, and consideration. For example, the proposed capital need metrics focus solely on state of good repair needs and do not factor future growth or new market opportunities. Pace proposed incorporating population into the calculation for the RTA's consideration.

One of the primary drivers of initiating this process was to demonstrate that the service boards were committed to spending Rebuild Illinois funding in a timely manner to meet regional goals. Pace proposed that federal funding should not be included in the initial performance calculations, until the process becomes refined and successfully demonstrated with state funds. Maintaining historical federal funding levels would provide a more stable and reliable source of funds for capital planning.

While we agree in principle with the spending and grant age performance metrics, we feel that any withholdings should not be assessed for prior year measures. We appreciate the consideration by the RTA to delay performance penalties for 2025 and hope you will also consider 2026 (which uses 2018-2020 data). In addition, since the RTA has not yet proposed how these withholdings will be allocated, we believe that postponing the penalty is appropriate. We also would like the RTA to consider the Regional ADA Paratransit program as a recipient of a portion of these withheld funds, as it aligns with the core requirements of accessibility and equity.

We appreciate the time and effort you have made to this point and we look forward to continued collaboration on this process.

Sincerely,

Melinda J. Metzger
General Manager and
Chief Operating Officer

Metra's Response to the RTA 2025/2026 Performance Allocation Proposal

The additional comments provided by the board are included on page 2.

- Can a Service Board only use the "Direct Allocation" funds towards the State of Good Repair component of a capital project?

    - Would the enhancement or expansion component of a project need to be funded out of the "Performance Allocation" funds?
      OR
    - Would each Service Board be required to show that they are spending at least 50% of their total allocation toward the State of Good Repair components of their projects?

- How will the RTA Bonds that will be programmed in 2025 and beyond be allocated? Those funds are not currently identified in the proposed allocation process, and if another process will be used Metra would like that process to be defined at this time.

- Will the performance measures always use the most recent prior three complete years as per example? Metra is agreeable to this, but we want to make sure that the years are selected on a consistent basis.

- How will RTA be defining whether 20% of the funding for each Service Board is used for Accessibility and Equity?

- Metra is concerned about the quality of the State of Good Repair backlog data from the 2016 COST model, partially because this does not include Positive Train Control (PTC). Some components of that system will require replacement by 2025.
    - Would it be possible to partially allocate 2025 and 2026 based on the data available while holding back a portion of the funds? Then, between now and November complete an update of the data in the COST model, with the remaining funds in 2025 and 2026 allocated at the December 2021 RTA Board meeting.

Metra's Response to the RTA 2025/2026 Performance Allocation Proposal

- How will the total withheld per agency for not meeting performance guardrails be used?

- If this allocation process is adopted by the RTA board, will the same percentages be used for operating allocation process?

- Instead of imposing the guardrail performance penalty in 2025 start the process in 2026, to allow service boards a chance to adapt and understand the new process/

- The ordinance should contain an appendix with the definitions and if possible, sample calculations. (*This one would really make our board members happy*)

From: Fine, Jeremy
To: Leary, Jill; LaMarche, Jeremy; Hector-Hsu, Jessica; Fahrenwald, Peter
Cc: Mconnelly; Smith, Samuel; Johnson, David; Fitzsimons, Michael; Curran, Michele; Iacullo, Joseph
Subject: CTA Comments on Performance-Based Capital Allocation Plan
Date: Friday, May 28, 2021 5:26:49 PM

Jill –

We've outlined several comments that we have previously discussed, but deserve to be underscored. We appreciate your consideration on these comments and glad to further discuss.

Have a great weekend!

Regards,
Jeremy

_____

Set-Aside for Underperformance

- CTA recommends that we, as a group, need to determine now how the set-aside would be allocated and used. This is too big of an issue to kick the can
    - Stated another way, we are against any set-aside until this issue is resolved
- Benchmark goals should be established so that the service boards currently attain them and would only be penalized if they fell short of those current spend rates

PAEUL vs. SOGR

- As previously highlighted, CTA recommends using a hybrid of PAEUL and SOGR
    - PAEUL is a good measure for vehicles, since there is only so long that any vehicle will ever be in service
    - SOGR is better measure for Facilities and Infrastructure, where the definition of "useful life" and the ability to maintain the assets is complicated and location specific

Debt Funded CTA Assets and Regional Capital Need

- As previously highlighted, CTA recommends incorporating prior bond issuances and the reciprocal reduction in its SOGR into the calculations

Policy Priorities

- While we agree with the general direction of the policy priorities, those should be revisited and goals adjusted to accommodate success in those areas. For example, CTA should be rewarded, not punished, as it pushes closer and closer to its goal of 100% accessibility

Lack of Fully Fleshed Out Details

- In any methodology, including the one proposed, there are a lot of assumptions and definitions that impact calculations (e.g., PAEUL, SOGR, spend down metrics). As such, we propose finalizing those discussions prior to final approval