Regional Transportation Authority

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To: Board of Directors

From: Leanne P. Redden, Executive Director

Date: July 8, 2021

Re: **Ordinance Approving New Performance-Based Capital Allocation Process**

Staff is recommending approval of a new Performance-Based Capital Allocation structure to be used beginning in the 2022 budget process to distribute 2025-2026 Federal and PAYGO capital funds to the Service Boards as part of the preliminary Five-Year Capital Program funding amounts to be considered for adoption by the RTA Board no later than September 15, as well as the Five-Year Capital Program to be adopted in December.

Background and Proposal for Discussion

In December 2019, the RTA Board commissioned a new Performance-Based Capital Allocation Process to develop more rigorous communications and reporting around the capital program. In July 2020, the RTA 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 and comments to date from the Service Boards were described in the memo presented to the RTA Board in June 2021.

The memo and documents were available for public comment from June 17 through July 1, 2021, at https://www.rtachicago.org. Attached to this memo are the three letters received, which are summarized with RTA staff responses as follows:

- One letter was received from a consortium of civic organizations including the Active Transportation Alliance, Center for Neighborhood Technology, Chaddick Institute at DePaul University, Chicagoland Chamber of Commerce, Civic Committee of the Commercial Club of Chicago, Environmental Defense Fund, Environmental Law and Policy

Center, High Speed Rail Alliance, Illinois Chapter of the Sierra Club, Illinois Environmental Council, Metropolitan Planning Council, Respiratory Health Association, and Shared-Use Mobility Center. This letter requests the RTA Board to delay adoption of the proposed allocation structure until RTA makes improvements to prioritize innovation over spending, creates a process to fund regionally significant projects across Service Boards, updates the State of Good Repair data and clearly defines equity and accessibility projects with performance-based goals.

- One letter was received from Cook County Board President Toni Preckwinkle. This letter requests that RTA make specific provisions to achieve more seamless transfers through a universal fare with discounted transfers between agencies, increase the amount of set-asides to directly select projects that advance regional priorities, and set higher targets than 20% of capital funds directed towards projects that promote equity and accessibility. The letter also adds that proposal would benefit by a longer and more inclusive public process to engage stakeholders.
- One additional letter was received on July 12 from the Metropolitan Mayors Caucus. This letter requests that the RTA Board delay adoption to further engage stakeholders. Concerns with the allocation structure are that it lacks true performance measures that leverage local community partnerships and drive investment towards regional goals of equity, access and economic growth. Further, the view of the Caucus is that the sole-reliance on state-of-good repair for distribution of funds will miss opportunities to face current challenges and incentivize innovation and modernization. The letter recommends setting aside a significant amount of funding to be allocated by the RTA Board to projects that involve more than one transit agency, are regionally significant, leverage other funding sources and help achieve regional goals. An evaluation and prioritization of Priority Projects should be included.

RTA staff appreciates the input and engagement of stakeholders in this process and continues to recommend that topics raised in these letters be a part of the next Regional Transit Strategic Plan development process that will be conducted as part of Step 3 of Recovery.
Meanwhile, RTA staff recommends proceeding with the process as outlined in the attached ordinance as delaying the allocation process further will require setting aside 2025-2026 funds for another year and could threaten Service Board capital construction processes. Adoption of the process now provides a foundation from which to address these concerns as the engagement process continues with RTA's work on the next Strategic Plan.

Equity and accessibility were two of the Core Requirements developed with *Invest in Transit*, and definitions are included in the June Board memo. In addition, staff will provide additional guidance to the Service Boards about definitions for equity and accessibility project during the budget process to ensure that projects selected to meet these requirements are fitting and meet regional expectations for such.

Next Steps

Based on the comments received, RTA staff recommends RTA Board approval of the attached ordinance, which approves the allocation structure and appends it to the *Annual Operating Budget, Two-Year Financial Plan, and Five-Year Capital Program* approved by the RTA Board in May as Appendix L to guide allocations during the 2022 budget process and beyond.

Prepared by: Capital Programming & Planning

LPR/JL/JHH/PF
Attachments.

ORDINANCE NO.

ORDINANCE APPROVING PERFORMANCE-BASED CAPITAL ALLOCATION

WHEREAS, the Regional Transportation Authority (the "Authority" or the "RTA") is Northeastern Illinois' transit planning and financial oversight agency charged with implementing the public policy of the State to provide adequate, efficient, geographically equitable and coordinated public transportation throughout the metropolitan region;

WHEREAS, Section 2.01a of the Regional Transportation Authority Act (the "Act") requires the RTA to adopt a Strategic Plan that identifies goals and processes related to capital investment, and the 2018-2023 Strategic Plan, *Invest in Transit*, was adopted by the RTA Board in January 2018 following a two-year long process involving coordination and ongoing dialog with the region's government and civic stakeholders;

WHEREAS, Section 2.01b of the Act requires the Regional Transportation Authority (the "Authority" or the "RTA"), to annually adopt the Five-Year Capital Program for the region;

WHEREAS, on December 19, 2019, pursuant to ordinance 2019-65, the RTA Board commissioned a new performance-based capital allocation process to develop more rigorous communication and reporting around the regional capital program; the transparency and collaboration mandated by the Board was ordained to begin with programming of year 2025;

WHEREAS, the *Performance-Based Capital Allocation Structure* was developed collaboratively by RTA and the Chicago Transit Authority (CTA), Metra and Pace (the "Service Boards") to strengthen the relationship between *Invest in Transit* and the Five-Year Capital Program;

WHEREAS, the draft of the *Performance-Based Capital Allocation Structure* was made available for a 15-day public period from June 17 to July 1, 2021; Three letters were received and provided to the RTA Board along with staff recommendations in response to the comments; and

WHEREAS, the 2022 Budget Call for the Annual Operating Budget, Two-Year Financial Plan, and Five-Year Capital Program approved in May 2021 references adoption of this allocation process for determining 2025-2026 capital funding marks; and

WHEREAS, the *Performance-Based Capital Allocation Structure* is driven by regional priorities described in *Invest in Transit*, advances regional efforts towards ongoing transparency in the capital program at the direction of the RTA Board and provides a mechanism for timely allocation of 2025-2026 funds for inclusion in the 2022 Budget process.

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

1) The Authority hereby appends the *2022 Budget Call for the Annual Operating Budget, Two-Year Financial Plan, and Five-Year Capital Program* to include the *Performance-Based Capital Allocation Structure* substantially in the form attached hereto as Exhibit L.

2) All state PAYGO and the 5307/5340 Urbanized Area, the 5337 State of Good Repair and the 5339 Bus/Bus Facility federal formula funding apportioned to RTA for fiscal years 2025, 2026, and beyond shall be allocated in preliminary capital budget marks as described in the *Performance-Based Capital Allocation Structure*.

3) Application of the capital expenditure performance metrics will be applied to only fiscal years 2026 and beyond. RTA staff are directed to develop a method, in collaboration with the Service Boards and as part of the 2022 Budget process, to distribute funds determined to be withheld from the application of the capital expenditure performance metrics. The distribution method developed by RTA staff and the Service Boards shall be considered and adopted by the RTA Board prior to, or in conjunction with, the adoption of the 2022 budget and 2022-2026 Five-Year Capital Program at the December 2021 RTA Board of Directors meeting. If no distribution method is adopted by the RTA Board prior to, or in conjunction with, the adoption of the 2022 budget and 2022-2026 Five-Year Capital Program at the December 2021 RTA Board of Directors meeting, no funds shall be withheld from the Service Boards as a result of the application of the 2026 capital expenditure performance metrics or any subsequent years until a method of distribution is adopted by the RTA Board of Directors following a collaborative effort between the RTA and Service Boards.

Performance-Based Capital Allocation Structure

July 8, 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:

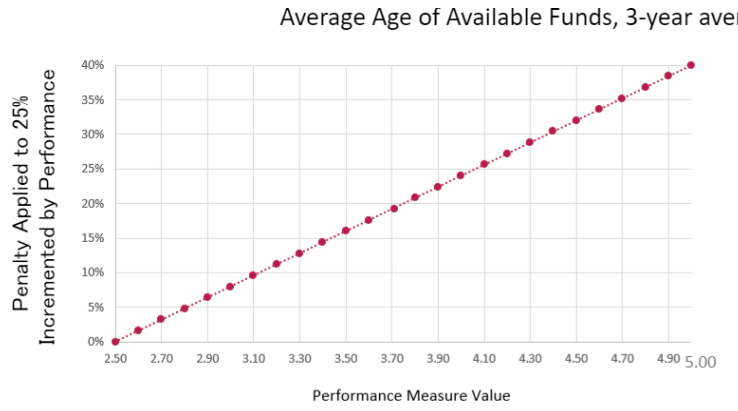
1. *Average Age of Funds – this measure monitors aging of the entire grant portfolio to ensure that, on average, no funds are getting too old. With the intent of spending all funds within the 5-year capital program, the target for this metric is an average age of 2.5 years.*
2. *Percent of Available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

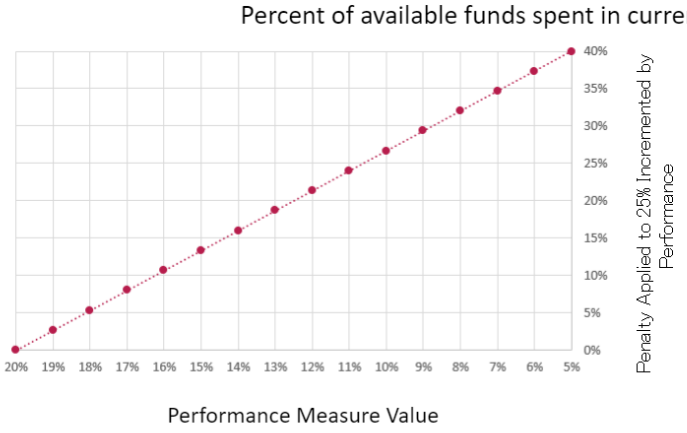
Figure 1: Chart for calculating allocation penalty to be applied if Service Board does not meet regional goal for "Average Age of Funds" performance metric, with 2019 data for each Service Board shown as an example.



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.

Paygo	5307/5340-UA Formula	5337-SGR Formula	5339 -Bus/Bus Facility
CTA Metra Pace	CTA Metra Pace	CTA Metra	CTA Pace

Total for Need Based Allocation

50% Direct Allocation			50% Incremented by Performance		
CTA	Metra	Pace	CTA	Metra	Pace
59.7%	32.8%	7.5%	59.7% +/-	32.8% +/-	7.5% +/-

20% to Core Requirement

Leanne Redden, Executive Director
Regional Transportation Authority
175 W. Jackson Blvd., Suite 1650
Chicago, IL 60604

July 1, 2021

Dear Ms. Redden,

Thank you for the opportunity to provide feedback on the RTA's proposed performance-based capital allocation structure. We applaud the RTA on its commitment to improving transparency and fiscal responsibility.

Our organizations were pleased that the RTA Board recommended a reconsideration of the July 2020 Draft Framework for Transit Capital Investments in order to strengthen it, and we hope to see a similar outcome here. While we appreciate some attention to equity and accessibility, we are disappointed by the absence of any performance metrics relating to transit or mobility outcomes. This should ultimately be about investing in projects that help people get around the region, and provide clear economic and environmental benefits, especially in the highest-need areas.

We do not feel that the proposal is in line with the goals to advance equity and sustainability through transportation as outlined in *Invest in Transit, ON TO 2050*, and similar regional plans. Its overreliance on state of good repair is a fundamental flaw. Our goal can't simply be to replace all the infrastructure we currently have – we need to improve upon it. We must invest in innovative projects with clear community benefits, even if they take longer to build. The process developed to allocate funding received through the Coronavirus Response and Relief Supplemental Appropriations Act exemplified the kind of leadership and innovative thinking the region needs.

We encourage you to delay adoption while you work to improve the proposal. Below are some recommendations – in line with our previous comments – for you to include in a revised proposal that establishes a true performance-based planning approach.

As we noted last October, "a performance-based funding and project selection process uses transparent, data-driven performance measures to drive investments toward goals. Strong performance-based funding programs for transit agencies transparently analyze the potential impact of future projects and funding allocations. They also evaluate existing projects and past funding decisions to determine if investments are meeting the goals of regional plans and programs."

Outcomes vs. Outputs

Unfortunately, the current proposal does not meet this definition. Rather than driving investments toward agreed-upon outcomes, it focuses exclusively on outputs, namely how quickly dollars can be spent.

There has never been a more important time to accelerate innovation and a focus on outcomes so that we deliver a highly functional transit system that provides a safe, reliable experience for riders. Given anticipated long-term trends for decreased commuting, we need to be significantly more ambitious in evolving our transit system and making it highly competitive for all types of trips. It is a missed

opportunity if we do not reshape our investment prioritization methods to meet the needs of the post-COVID recovery.

Maintaining the Status Quo

The proposed capital allocation structure keeps funding levels virtually unchanged when compared to the existing formulas. More importantly, it continues the practice of deferring all project prioritization decisions to the service boards and misses an opportunity to pool funds and apply them to regionally significant projects that involve multiple transit agencies and jurisdictions. Because there is no mechanism to compare projects across service boards, the capital allocation structure fails to consider the region's transit network in an integrated fashion. Should the current proposal be adopted, the region will lose an opportunity for RTA to provide the vision and leadership needed to achieve the strategic goals from *Invest in Transit,* and ensure that Chicagoland's transit system is ready to meet the challenges of a post-COVID world.

Spending Funding Quickly Should Not be the Top Priority

Essentially, the only performance measure used in this proposal is the speed of capital expenditures. While project delivery is important, it is not the purpose of capital investments. This is not a measure oriented around people and delivering high-quality service to communities across the region. We are greatly concerned the proposed methodology could create a perverse incentive to prioritize projects that can be delivered quickly, regardless of their relative benefit. For example, a transit agency would be incentivized to expend funding quickly for easy-to-deliver capital projects like repaving a parking lot, rather than redevelopment of a parking lot for an equitable transit-oriented development project that would have higher impact and help us achieve regional goals related to equity, air quality, climate change, and economic growth.

A Large Discretionary Fund Accelerates Innovation and Better Achieves Goals

Instead, this proposal should incentivize innovative projects that improve the customer experience, create a seamless trip between the transit agencies and other modes of transportation, reduce pollution, and promote equity. The proposal includes a pooled funding source that may achieve some of these goals, but it is only funded with dollars taken away from a transit agency if they do not spend their funding fast enough. Growing the size of the set-aside and creating a performance-driven competitive process grounded in policy goals that will deliver positive outcomes for riders would be a significant improvement. Every major reform of transportation funding in our region over the last two decades has moved some formula funding into a pooled, competitive fund that has helped advance regionally significant projects. CMAP's Surface Transportation Program reform, IDOT and CMAP's Transportation Alternatives Program, and earlier and evolving reforms to the Congestion Mitigation and Air Quality Improvement program are all excellent examples of performance-based programming using a large fund to accelerate dynamic and impactful transportation projects. Any pooled funds in a new proposal should be combined with Regional Innovation, Coordination and Enhancement funds to generate a sufficient resource to make meaningful regional improvements.

State of Good Repair Data is Outdated

Using the 2016 Capital Asset Condition Assessment to allocate funds yielded a nearly identical result as the presently used formulas. While this may simply be a coincidence, the greater concern is the use of

data that are over five years old. Each service board is required by the FTA to have a transit asset management plan that is updated on a regular basis, and that prioritizes investments based on need. If the funding needed to reach a state of good repair is to be used as the basis for capital allocation, the most recent asset condition data and prioritized projects list should be used. In our comments on RTA's draft Framework for Transit Capital Investments we noted the lack of transparency in the service boards' federally-required asset management plans. To date, we remain one of the few large metropolitan regions where those plans are not available publicly.

Equity and Accessibility Need to be Clearly Defined

As previously stated, we applaud RTA's special focus on equity and accessibility. However, by deferring to the service boards to define what an equitable project is, we will not be using a consistent regional definition, and it's very likely that agencies would be able to classify 20% of capital funding in those categories without conducting a true equity analysis. Equity and accessibility should not simply be a "box to check" but rather a performance-based goal by which projects are compared across service boards for selection. The Illinois General Assembly recently passed HB 253, requiring IDOT and the RTA to follow a performance-based process for capital funding that considers several issues, including equity, and we feel this proposal falls very short of the goals included in that legislation.

Given the incredible opportunity of this moment, and the importance of getting it right, we urge the RTA Board not to adopt the proposed capital allocation structure. This process does not move the region toward the integrated, customer-centered, and data-driven approach to project selection that the region needs. The proposal also lacks many of the best practices recommended by the Transportation Research Board, which updated its performance-based planning guidebook just last month. Nor will it satisfy the project prioritization process described in HB 253, which is expected to be signed into law soon and will go into effect on April 1, 2022. We will not build an adaptive, resilient, and sustainable transit system by maintaining the status quo. Our organizations remain ready to assist the RTA in creating a truly transformative approach to programming.

Sincerely,

Active Transportation Alliance
Center for Neighborhood Technology
Chaddick Institute at DePaul University
Chicagoland Chamber of Commerce
Civic Committee of the Commercial Club of Chicago
Environmental Defense Fund
Environmental Law and Policy Center
High Speed Rail Alliance
Illinois Chapter of the Sierra Club
Illinois Environmental Council
Metropolitan Planning Council
Respiratory Health Association
Shared-Use Mobility Center

Office of the Cook County Board President
Toni Preckwinkle

June 30, 2021

Chairman Kirk Dillard
Regional Transportation Authority
175 W. Jackson Blvd, Suite 1650
Chicago, IL 60604

RE: Public comments on proposed RTA Capital Allocation Structure for 2025-26

Dear Chairman Dillard,

I applaud the Regional Transportation Authority's (RTA) goal to improve the region's transit capital allocation process, and I appreciate RTA staff taking the time earlier this month to brief me on the proposal. For too long the Chicago area has utilized formulas to distribute funding that may no longer reflect the needs of riders. It is also my observation that the services offered by the transit agencies are not as integrated as they could be. Transit in the region should function as one system rather than three separate systems. Considering this, I recommend the following:

First, the RTA and service boards need to achieve more seamless transfers through a universal fare with discounted transfers between agencies. This means that a rider transferring from Metra to CTA, for example, could pay with the same fare medium for both segments of the trip and receive a discount on the purchase of the second fare, just as a rider transferring from one bus route to another on the CTA system would.

As we look to help the transit system recover from the pandemic, seamless transfers will make the transit system more convenient and attractive, stimulating ridership on all transit services. The RTA's *COVID-19 Lapsed Rider Survey* from this spring underlines the importance of a seamless travel experience to potential riders who are trying to decide whether to use transit again. I urge the RTA to make specific provisions in its capital budget to help accomplish this goal. The County stands ready to be a financial partner with the transit agencies to implement seamless transfers.

Second, all ongoing state capital funds and federal formula funds are allocated to the individual service boards based on the amount of funding they need to improve the condition of their vehicles, tracks, stations, and equipment. When funding is reduced due to delayed capital projects and placed in a set-aside, I recommend that the RTA use that set-aside to directly select projects that advance regional priorities. Since under the current proposal the set-aside is likely to be modest, RTA should strongly consider increasing the amount devoted to a regional selection process.

Third, I applaud the RTA's focus on projects that promote equity and accessibility for those with disabilities. This area can be strengthened as well. The current adopted capital program appears to already meet or exceed the proposed goal to allocate at least 20% of capital funds to meet equity and

accessibility needs. I encourage you to set a higher target and develop a common scale to measure a project's performance on these goals beyond the funds devoted to them.

Lastly, the RTA's proposal would benefit from a more inclusive, public process to engage stakeholders in the development of the capital allocation structure. Limited engagement, in combination with a short public comment period, may miss important viewpoints on the critical issue of how to invest billions of dollars to improve public transit.

I am grateful for the work of the RTA staff as well as your leadership, and I look forward to partnering with you to improve the transit system even in these challenging times.

Sincerely,

Toni Preckwinkle

July 13, 2021

Leanne Redden, Executive Director
Regional Transportation Authority
175 W. Jackson Blvd., Suite 1650
Chicago, IL 60604

Dear Ms. Redden,

As Mayors representing diverse communities across the Chicago region, the Executive Board of the Metropolitan Mayors Caucus applauds the Regional Transportation Authority's examination, review, and reform of its capital funding formulas. Many of the formulas and funding distribution processes RTA uses today have not changed since the early 1980s and now is the right time to review and reform these practices.

We are concerned, however, that the RTA's recent draft funding refrom proposal lacks true performance measures that can help drive investment toward regional goals of equity, access, and economic growth. The draft proposal also misses an opportunity to leverage partnerships with local communities and other funding partners to advance regionally significant transit projects that cross municipal boundaries, require enhanced coordination among the transit agencies, and are difficult to fund under the current formula structure.

The draft proposal's sole reliance on state-of-good repair goals to distribute funding will miss opportunities for our region to respond to the many changes and challenges that will face transit in the years ahead. The proposal should consider performance measures that allow us to question whether we should replace or fix certain infrastructure, not just bring it to a state of good repair. It does not, for example, incentivize replacing aging diesel buses or locomotives with new, clean electric vehicles. Indeed, using just state-of-good repair needs to drive investment levels, transit agencies could be incentivized to fix aging diesel buses to extend their useful life or purchase new diesel buses or locomotives rather than electric ones, which would make it more difficult for us to achieve regional climate and air quality goals.

The draft reform proposal also distributes all funding by formula, leaving no pooled funding source for local communities to leverage and fund regionally significant projects. The proposal should set-aside a significant amount of funding to be allocated by the RTA board to projects that involve more than one transit agency, are regionally significant, leverage other funding sources, and help achieve regional goals of equity, access, and economic growth. This shared fund should be combined with the flexible Innovation, Coordination, and Enhancement (ICE) program created by the General Assembly in 2008 and intended for these types of opportunities.

Lastly, we suggest that the RTA's draft funding reform proposal should include an evaluation and prioritization of large scale, priority projects. The RTA's most recent plan did include a list of Priority Projects totaling $30 billion, but it has not evaluated those projects or prioritized them for funding. The draft reform proposal should include an evaluation of the benefits of these projects, giving the RTA Board, the transit agencies, local elected officials, and the public a better understanding of which projects should be prioritized with limited funding.

Thank you for your opportunity to comment on this proposal. We believe the RTA should delay adopting it and instead engage stakeholders like the region's Mayors in a dialogue about how to shape our regional transit spending programs to meet the needs of our communities. With time and coordination, we know this proposal can help us achieve the mobility, equity, climate, and economic growth goals we all share.

Sincerely,

Kevin Wallace
Executive Board Chairman
Metropolitan Mayors Caucus
and Mayor, Village of Bartlett