

TO: COUNCIL OF MAYORS EXECUTIVE COMMITTEE

FROM: GRACE GALLUCCI, CFO and Senior Deputy Executive Director of Finance and Performance Management

RE: **Presentation on Funding and Delivery of Out-of-Region Service**

DATE: April 23, 2012

An analysis was undertaken to identify all of the circumstances where the Service Boards provide fixed-route service outside of the RTA's six-county jurisdiction, and to determine if there are agreements in place to account for the operating costs of providing these extraterritorial services. Six out-of-region routes have been identified, comprising two Pace bus routes covered by agreements, three Pace bus routes not covered by agreements, and Metra's UP North Line service to Kenosha, WI, which is also not covered by a specific intergovernmental agreement.

The operating expenses are relatively small for the three out-of-region bus routes not covered by agreements, and there are operational and safety-related reasons for Pace to continue serving their brief extraterritorial portions in Kendall County and Lake County, Indiana. The cost of operating the UP North Line into Kenosha County, Wisconsin is more substantial, but significant operational and revenue benefits strongly suggest that Metra should continue this service. After careful review, RTA staff does not recommend any changes to the out-of-region service as currently operated.

Background

At the request and for the benefit of a service board, Section 2.07 of the RTA Act authorizes the RTA to enter into agreements with any unit of local government outside of the six-county RTA region for services between points in the region and points outside of the region.

Six out-of-region routes have been identified (see attachment 1), four of which are not covered by specific intergovernmental agreements, however. Three of these four uncovered routes pre-date the 1983 RTA act, including two Pace bus routes and Metra's service to their unstaffed Kenosha station.

There are no CTA routes that operate outside the region.

Pace Suburban Service

Route 907:

The first of the Pace bus routes bound by an agreement is route 907 providing weekday-only, non-stop service between the Aurora Transportation Center/Metra Station and the Oswego Park-n-Ride facility in Kendall County. This service was authorized by RTA Ordinance 2002-62 and is operated under a “cost minus revenue” agreement with the Village of Oswego, renewable annually, for which the Village pays the full annual operating cost of the route (\$89,487 for 2011) less the fare revenue collected by Pace (about \$11,000 per year.) Thus, the cost of providing this service is fully covered.

Route 892:

Operating under an agreement since July 2001, Pace route 892 provides weekday-only, off-peak, non-stop service between the United Parcel Service (UPS) Hodgkins facility and the municipalities of East Chicago and Gary in Indiana. Under this agreement, the partnership of UPS, the Foundations of East Chicago, and the Northwest Indiana Regional Bus Authority pay the full annual operating cost of the route (currently \$185,144), while all resulting fare revenue is retained by the service board, thus making operation of this route a positive revenue source for Pace.

Routes 529, 350 and 364:

There are three Pace routes that protrude out-of-region, but are not covered by specific intergovernmental agreements. These are route 529 south of Aurora, with a short 2.5-mile loop into the village of Montgomery in Kendall County, and routes 350 and 364 across the near-south suburbs, both with the same very short 0.7-mile loop into Lake County in Indiana. In each of these cases, the primary motivation for crossing the border is to provide a safe turnaround location for the bus operators. Secondary considerations also exist in that route 529 benefits Kane County residents who commute to jobs in the small commercial area of Kendall County where that turnaround occurs, and routes 350 and 364 provide southern Cook County residents connectivity to Indiana transit options at the Hammond Transit Center where those turnarounds occur.

The estimated annual operating expenses for the out-of-region portions of these three routes range from \$43,000 to \$63,000. These costs are partially offset by the fare revenue produced on these same segments, the exact amount of which is not easily isolated from the revenue for the full length of the route. Nevertheless, the operational and customer benefits these three short, out-of-region segments provide seem to outweigh their modest operating cost.

Metra Commuter Rail Service

Metra has been providing service on the UP North Line to Kenosha, some 6.5 miles into Wisconsin, since the 1970s. Service between Chicago and Kenosha is provided under a purchase of service agreement (PSA) with Union Pacific Railroad. Under the current PSA, Metra reimburses UP for all net operating losses (operating and maintenance costs less operating revenues.) There is no specific intergovernmental cost-recovery agreement with Kenosha County or the State of Wisconsin. Service to Kenosha is primarily driven by the location of a rail yard there, which provides both maintenance services and overnight train storage. Thus, it seems intuitive to provide commuter service to the Kenosha station and capture the additional revenue given that most of the trains have to go there anyway for servicing or storage.

The incremental cost of operating nine weekday, five Saturday, and three Sunday trips in each direction along this stretch of track exceeds \$700,000 annually. However, Zone K fare revenue produced by Kenosha customers is substantial. Ridership data indicates that more than 300 daily Kenosha-area commuters use this service, producing annual revenue of over \$900,000. Thus, seeking recovery of operating costs from Kenosha County or the State of Wisconsin does not seem appropriate since the current revenue benefits outweigh the current costs of the service.

Metra staff also stressed that there is no good alternative yard to Kenosha for train servicing since the Waukegan yard is capacity-constrained and using it would require just-as-costly dead-heading of equipment back south from the Winthrop Harbor station if it were to become the new terminus of the line. Construction of a new yard facility within Illinois has been considered and rejected in the past due to high capital costs and potential local community impact. In short, discontinuing service to Kenosha would result in most of the trains still having to go there, but without the benefit of fare revenue.

Related Issues

The reciprocal of the out-of-region issue is fixed-route, into-region service provided by outside transit agencies. There are three instances of this, comprising the South Shore Line service between Chicago and South Bend, IN, and two Northwest Indiana Regional Bus Authority (NIRBA) routes into the southeast side of the City of Chicago.

The two NIRBA routes that cross several blocks into the City of Chicago and provide connections to CTA bus routes 30 and 100 do not require the City of Chicago or Cook County to provide any reimbursement for recovery of their operating costs, as there are no specific agreements associated with this arrangement.

For the commuter rail service to Illinois stations on the South Shore Line, however, Metra reimburses the Northern Indiana Commuter Transportation District (NICTD) for a portion of net operating losses under a purchase-of-service agreement. Metra's portion of the net operating losses is determined by passenger boardings within Illinois relative to total passenger boardings on the route, which under the current agreement amounts to 21% or \$5.1 million. NICTD is generally responsible for all operating and capital-related costs associated with maintenance and improvements of South Shore Line right-of-way and facilities located within the State of Illinois.

Conclusions

Based on the review and analysis performed, RTA staff does not recommend any changes to the out-of-region service currently operated as part of the regional transit system. In fact, discontinuing the out-of-region portions of these routes would create significant operational and safety issues for Pace and Metra, result in lost fare revenue from passengers using the services, and degrade service for a portion of their in-region customers. Maintaining these routes as currently operated appears to be in the best interest of the RTA.

GG/DDA/DKA

Attachment 1: Location of the six RTA out-of-region routes

