



## MEMORANDUM

**To:** CMAP Board  
**From:** CMAP Staff  
**Date:** April 6, 2016  
**Re:** Alternative Long-Term Funding Options

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This memo continues the discussion of alternative long-term funding options for the agency that began in late 2015 and has continued since then. In March, the Board and MPO Policy Committee discussed budget targets and specific dues levels, and directed staff to return to the Board with a dues proposal for a vote in April. This proposal -- as well as additional increases in fee-for-service arrangements and external grantseeking -- will be included in the FY17 budget unless CMAP's legislative proposal is successful.

The rest of this memo is divided into three sections:

- A proposal for a new dues structure. *The Board will be asked to take action on this proposal in April.*
- Discussion of potential options for increasing fee-for-service arrangements and external grantseeking.
- Description of short-term funding issues and potential solutions.

### **Proposed dues structure**

As discussed in March, CMAP proposes a restructuring of dues to reduce the agency's overreliance on the state to match its federal funding. Dues are proposed to total \$1.5 million in FY18, with an intermediate level of \$900,000 in FY17. Current dues are approximately \$250,000, but were considerably higher (\$1 million) ten years ago.

Local dues are proposed to be split evenly between the three types of agencies that support and govern CMAP: Counties, municipalities, and transportation agencies. Each of these types of agencies would be charged \$300,000 in dues in FY17, and \$500,000 in dues in FY18. Proposed contributions by agency -- grouping suburban municipalities together -- are shown on Table 1. Please note that these have changed slightly since the March memo because background population numbers have been updated with the most recent available estimates (2015 for Counties and 2014 for municipalities). Please also note the CMAP is in discussion with other

transportation stakeholders, such as railroads and private transportation providers, about providing contributions. We will continue to update the Board as these discussions progress.

**Table 1. Dues proposal, FY17 and FY18**

	<b>2006 contributions</b>	<b>2014 contributions</b>	<b>FY17 proposal</b>	<b>FY18 proposal</b>
Cook	\$207,279	\$25,000	\$134,823	\$224,705
DuPage	\$69,634	\$25,000	\$36,359	\$60,598
Kane	\$24,496	\$25,000	\$27,143	\$45,238
Kendall	\$0	\$25,000	\$17,822	\$29,703
Lake	\$68,243	\$25,000	\$31,102	\$51,836
McHenry	\$17,901	\$25,000	\$22,030	\$36,717
Will	\$38,950	\$25,000	\$30,721	\$51,202
<b>County subtotal</b>	<b>\$426,503</b>	<b>\$175,000</b>	<b>\$300,000</b>	<b>\$500,000</b>
City of Chicago	\$173,831	\$25,000	\$101,928	\$169,880
Suburban municipalities	\$325,000	\$50,000	\$198,072	\$330,120
<b>Municipal subtotal</b>	<b>\$498,831</b>	<b>\$75,000</b>	<b>\$300,000</b>	<b>\$500,000</b>
Transit agencies (through RTA)	\$52,000	\$100,000	\$240,000	\$400,000
Tollway	\$25,513	\$25,000	\$60,000	\$100,000
<b>Transportation agency subtotal</b>	<b>\$77,513</b>	<b>\$125,000</b>	<b>\$300,000</b>	<b>\$500,000</b>
<b>Total</b>	<b>\$1,002,846</b>	<b>\$375,000*</b>	<b>\$900,000</b>	<b>\$1,500,000</b>

\* This amount is the invoiced amount, but contributions are voluntary; approximately \$250,000 is actually collected.

As the Board requested, CMAP sent a letter to each municipality in the region individually to communicate their proposed FY17 and FY18 dues levels (approximately 3.7 cents per capita in FY17 and 6.2 cents per capita in FY18). There are additional considerations in dues collection from suburbs, because municipalities are numerous, some are very small, and others are extremely financially distressed. Therefore, staff proposes to address these challenges as follows:

*Incentivize collection by Councils of Mayors.* Councils of Mayors should be incentivized, but not required, to collect dues on behalf of CMAP. Staff proposes to offer a 10% dues reduction in dues to any Council that wishes to pay on behalf of its members. (For example, instead of the municipal members of a Council being billed a total of \$30,000, the Council would be billed \$27,000.) While this would lead to a small reduction in dues requests, it is far easier to administer and also reduces the possibility of nonpayment. This is proposed to be voluntary on the part of each Council.

*Waive dues for very small municipalities.* Communities with low populations tend to have very small dues requests. For example, the Village of Symerton in Will County would have a dues request of \$5. It is financially not worth it for CMAP to issue invoices and process checks for very small amounts, so staff proposes to waive dues requests for the smallest communities. A population threshold of 800 residents -- resulting in a dues request of \$50 in FY18 -- is the proposed cutoff point, which would exempt 21 communities in the region from paying dues. Due to the small size of these dues requests, this exemption would reduce expected dues collection by only about \$600 in FY18 (\$360 in FY17).

*Waive or reduce dues for communities in serious financial distress.* Some municipalities face extreme financial challenges and are unlikely to be able to contribute any amount of funding. Staff proposes to use a modified version of the "need score" currently used to calculate LTA match requirements, a measure that combines median income and tax base per capita, in order to identify communities that would have greatest difficulty paying dues. These are proposed to be grouped into two categories:

- A small number of communities (10) would have dues waived entirely because of severe economic distress. These communities have an average median income of \$39,000 and a per capita tax base of \$9,300. Waiving dues for these 10 municipalities would reduce CMAP's overall dues collection by \$7,500 in FY18 (\$4,500 in FY17).
- A larger group of municipalities (23) would have their dues request cut in half. These communities also face significant economic distress, but not as severely as the first group; they have an average median income of \$46,000 and per capita tax base of \$15,100. Adjusting dues for these municipalities would reduce CMAP's overall dues collection by \$10,700 in FY18 (\$6,400 in FY17).
- In comparison, the other 250 municipalities in the region have an average median income of \$74,000 and per capita tax base of \$42,300.

As discussed with the Board in March, staff proposes two consequences for non-payment of dues. First, organizations (except those whose dues are waived) that do not pay invoiced dues should lose access to the Local Technical Assistance (LTA) program. Second, and more significantly from a dollar standpoint, they should also lose access to Unified Work Program (UWP) funding. Administered by CMAP, the UWP program is our agency's main funding source, but it also provided nearly \$4 million in federal funds in FY16 to external agencies -- many of which will be asked to increase their dues contributions to CMAP -- that already receive amounts of UWP funding much higher than their anticipated dues.

Dues invoices are proposed to be sent out on July 1, but it is understood that not all organizations will be able to pay immediately. Staff proposes a deadline of January 31 for payment, but extensions could be offered as necessary in the initial year (for example, a municipality with a May-April budget year may not be able to pay until May 2017). In future years, once the process of dues invoicing becomes more routine, faster payment of invoices will be sought.

Staff proposes to recalculate the amounts in Table 1 starting in FY19 to apply to future years based on two factors. First, the total amounts should be increased each year to address inflation, using the annual average Consumer Price Index. (This has historically been in the range of 2 to 3 percent each year, but only 1 to 2 percent in the more recent past.) Second, distribution within Counties and municipalities should be reconsidered each year based on changes in population, using the most recent available Census estimates.

Finally, it should be noted that increasing local dues has been considered as a backup plan, to be exercised if the legislative approach does not succeed. If, at some point, additional state funding is secured, dues collections can be reduced. Staff recommends handling this situation through annual credits or reductions based on the amount of funding received from the state, rather than another permanent change in dues levels.

### **Fee-for-service arrangements and external grantseeking**

Local dues are proposed to be the primary source of additional revenue for CMAP's activities can be generated, but there are other sources as well, including charging for services that CMAP offers. The anticipated potential for fee-for-service revenue is \$500,000 annually, with a lower target of \$300,000 in FY17.

Although staff has not yet developed a full proposal for fee-for-service arrangements, the Board is encouraged to discuss this in general at its April meeting. Broadly speaking, fee-for-service opportunities are of two types: charging for activities that are currently offered for free, and charging for new activities that are not currently offered.

*Charging for services that are currently offered for free.* A local contribution requirement was recently initiated for the LTA program, though this was meant to ensure local commitment, rather than to raise money. Consequently, it will have the effect of raising approximately \$200,000 annually in a normal year. (In a year with no new LTA projects, however, it would not raise any money.) Staff recommends that this requirement continue, with the caveats noted further below.

Beyond LTA, there are other opportunities for CMAP to charge for services offered. For example, it is possible that an administrative fee could be charged for CMAQ or TAP applications. The project selection and administration of these programs requires staff time, which the sponsors of successful projects could be asked to help to fund. CMAP also regularly provides modeling and data assistance at no cost to support studies by transportation implementers; this could also be a reasonable opportunity for fee-for-service.

Other possible fee-for-service arrangements exist as well. For example, CMAP could increase the cost of trainings or begin to charge for training opportunities that are currently free, although this would not raise a large amount of funding and might discourage participation. Charging for access to certain datasets is another possibility, particularly for those datasets that were created internally by CMAP -- such as the regional land use inventory, which requires significant staff time to assemble.

With any of the above examples, concerns about double-charging could emerge as a challenge. Most examples listed above would affect organizations that already are requested to pay increased dues. For example, communities that routinely pay their dues may not expect to have an additional local contribution required for an LTA project. Similarly, transportation agencies with high dues levels may have concerns with paying an additional amount for transportation modeling assistance. There are good reasons to charge separately for these services, because they do represent additional activities beyond basic MPO responsibilities. However, the obvious question -- why am I paying an additional fee for this service when I already pay dues? -- is legitimate. Board discussion is requested on how to address this issue and overcome these challenges.

*Charging for new services.* An alternative approach is to apply fee-for-service arrangements to new activities not currently offered by CMAP, and to brand them as voluntary activities that are above and beyond CMAP's baseline responsibilities. For example, CMAP could offer an intensive series of training programs for municipal commissions and committees on topics of interest. Some regional agencies organize GIS consortiums and provide direct GIS services to organizations that contribute financially to the consortium. Others provide grantwriting assistance to their members. However, each of these activities would require additional resources for CMAP to effectively deliver the service.

Other opportunities may arise from efficiencies gained from regional cooperation. For example, CMAP has begun conversations with several counties and municipalities about taking a regional approach to comply with HUD's new fair housing rule, rather than each individual jurisdiction attempting to comply on its own. Similar approaches may be possible for other topics, like water resources. Some other regions raise significant funding through these approaches; as an extreme example, the Washington, DC, region raises over \$2 million annually in fee-for-service charges related to water resources, through contributions from water and stormwater utilities as well as counties and municipalities.

Any new service almost certainly brings with it a requirement for additional staff or consultant assistance, which may pull resources and attention away from CMAP's core functions.

General Board discussion on the fee-for-service concepts described above is requested. Please note that there is a target of \$500,000 for fee-for-service revenue, and changes in fee-for-service expectations would have offsetting impacts on local dues.

In terms of external grantseeking, staff recommends increasing CMAP's efforts to seek external grants, doubling the annual target from \$1 million to \$2 million. The agency has been successful at receiving external grants, having regularly met the \$1 million target; current grants support activities in housing, stormwater, climate resilience, and water quality. CMAP will continue to seek grants in these areas, with additional explorations of other topics such as freight, economic development, community capacity and governance, health, and energy, among others.

The current target of \$1 million is met through the efforts of program staff to identify and pursue grant opportunities. However, CMAP does not have dedicated staff to devote to development of relationships with potential corporate funders, philanthropic organizations, and other grantmakers. To move our grantseeking to the next level, staff recommends converting an existing vacant position to instead lead fundraising efforts. This position is recommended to be included within the FY17 budget, but because it involves restructuring existing vacancies, this will not increase total agency staff levels.

### **Short-term funding issues**

In this memo as well as previous discussions, primary emphasis has been placed on long-term funding solutions. However, CMAP also has short-term funding issues that, if not addressed, would create a cash flow crisis this summer and again potentially disrupt federal highway and transit funds. Even with increased dues, additional measures will be necessary in the short-term because of the timing of dues collection. Staff has had frequent discussions with the state and federal governments about solutions, and the relevant agencies are nearing agreement on a short-term proposal to keep the agency operational through FY16 and FY17. It should be noted that FHWA, FTA, and IDOT support is contingent on CMAP also making a serious effort to find a permanent solution to our overreliance on the state (which we are doing by restructuring dues).

The UWP committee, which oversees CMAP's federal transportation funding, will be asked to discuss and recommend approval of the federal portion of CMAP's budget at their meeting on April 7. A full agency budget will be brought to the Board for initial discussion in May, with adoption scheduled for June.

**ACTION REQUESTED:** Approval of dues proposal, and discussion of other items.

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