

**MEMORANDUM**

**To:** CMAP Board

**From:** CMAP Staff

**Date:** November 7, 2012

**Re:** Proposed CMAP and RTA Merger

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Northeastern Illinois needs and deserves world-class public transit. Transit plays a key role in increasing mobility and connecting our workers with job opportunities. It helps make our region a desirable and practical destination for people and businesses, who value the accessibility provided by our extensive system. Moving forward, achieving modern transit service will only grow in importance as our region competes with other places around the globe for talent and investment. GO TO 2040 emphasizes the importance of public transit and devotes one of the plan's twelve chapters to outlining a series of implementation actions for strengthening it.

As GO TO 2040 points out, transit ridership has not kept pace with the region's growth. A recent proposal from Metropolis Strategies seeks to address this problem through consolidating the regional financial and oversight functions of RTA with the existing functions of CMAP. This memo summarizes CMAP's overall observations on the major challenges and opportunities facing transit as well as staff's perspective on this specific proposal.

**THE METROPOLIS STRATEGIES PROPOSAL**

Metropolis Strategies recently proposed moving toward a more effective transit system by merging RTA with CMAP. According to Metropolis Strategies, the benefits of a merger include a "fresh start for a 'broken' institution" and "a better path to create a modern transit system."<sup>1</sup> The proposal would combine the staffs of the two agencies under the leadership of the CMAP executive director, appoint a new Board, and mandate that this Board, in consultation with the appointing authorities, draft reform recommendations within 18 months. The intent of the proposal was to generate a public debate on the importance of transit and ways that it could be improved. Metropolis Strategies is motivated by the following:

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<sup>1</sup> Metropolis Strategies. "Public Transit in Metropolitan Chicago". July 18, 2012.

- A modern efficient public transit system is necessary for metropolitan Chicago to compete economically as one of the world's leading global regions;
- Transit ridership is not growing at rates as fast as other metropolitan regions, and overall transit ridership is down 20 percent in this region since 1980;
- The structure of the governance system between RTA and the three service boards makes cooperation difficult;
- The allocation of public dollars for operating assistance and capital improvements continues to be based on formulas that are over 20 years old, and in some cases 30 years old (meanwhile, the region's demographics and needs have changed significantly over that time);
- The four transit agencies duplicate each other's back-office functions, which wastes taxpayer dollars;
- Capital resources for transit come primarily from the federal government and only episodically from the State of Illinois. Finding a steady, reliable source of capital funding to support the region's transit system must be a top priority, and to date this has not materialized.

At this point, no legislation has been introduced on this proposal. Metropolis Strategies has presented this proposal publicly in a number of forums, however to date, there has not been a thorough discussion by the CMAP Board as to how they would like to address this issue and whether the Board chooses to take a position on the proposed merger or would like to make a different statement on the governance and administration of our region's transit system.

#### **GO TO 2040 AND PUBLIC TRANSIT**

CMAP has been strongly on record that the region needs to improve and invest in our transit system and control costs. Increasing commitment to public transit is one of twelve chapters in GO TO 2040, and the plan states that the goal is to make transit the preferred travel option for as many of the region's residents as possible. In all, GO TO 2040 offers twenty-four implementation action areas specifically about public transit, distilled across four distinct focus areas. These can be summarized as follows:

- 1) **Improve the fiscal health of transit**, through strengthening RTA's efforts on financial oversight, implementing innovative revenue options, and revising the federal New Starts program to support reinvestment in existing systems.
- 2) **Modernize the region's transit system**, through prioritized investments like adoption of new technologies, implementation of traveler information systems, state-of-the art rolling stock and stations, and more seamless coordination between modes.

- 3) **Pursue high-priority projects**, including planning for transit on highway projects, and improve evaluation measures and decision-making processes.
- 4) **Conduct supportive land use planning** around transit, identify additional opportunities for transit oriented development, and promote housing affordability near transit.

The plan details the continual financial challenges facing the transit system that have been caused by insufficient revenues, rapid increases in costs (often above inflation), and a rigid system of formula-based funding allocations. The crux of most of the plan's recommendations on improving the fiscal health of transit is directed at RTA and the three service boards. Specifically, the plan calls for strengthening RTA efforts on financial oversight and that the RTA, in collaboration with the service boards, should focus its efforts on addressing the system's fiscal health, including increasing efficiencies and limiting cost increases moving forward.

#### **ADDITIONAL PERSPECTIVES FROM CMAP STAFF**

While mergers are not specifically recommended in GO TO 2040, CMAP staff generally agrees with the overall problems articulated in the Metropolis Strategies proposal. Reliable investment in transit must be among our highest priorities, and our region quickly runs the risk of losing economic ground relative to our competitors around the world if it does not create a more modern, well-functioning system. We also think that a conversation about efficient governance, even one involving our own agency, is worth having, since this is exactly what our own plan clearly articulates.

If implemented, GO TO 2040's specific transit recommendations will help move our region to a more economically competitive place. However, it is also true that accomplishing many of these actions will be very difficult, potentially requiring massive change in how transit is governed and how tax dollars are collected and allocated. Specifically, it is critical that the regional transit entities move toward performance based funding rather than politics for shaping the allocation of scarce resources. Our region should also be more proactive about finding new revenues for supporting transit capital. CMAP staff understands that some of these political dynamics, which often pit the transit agencies as well as different parts of the region against each other, may be incredibly difficult to overcome.

CMAP staff is concerned whether the RTA Board can be truly functional in meeting the goals of GO TO 2040, given the structural issues it faces. Simply put, the result (whether intended or unintended) of the RTA Board's existing enabling legislation is an outcome of "stay the course." Staff does not believe that this stalemate has resulted from the actions of any individual Board members or the RTA staff. Rather, this system of governance has been constructed to protect and defend existing resources rather than assess what investments are best for the overall metropolitan region.

However, the Metropolis Strategies proposal also assumes that better investment decisions are more likely to emerge from a reconstituted Board. CMAP staff is concerned that, in the absence

of real reform in how the investment decisions are made and how service is cooperatively delivered, these outcomes will be difficult to achieve. While developing a plan for making these kinds of transformative decisions would likely be among the first actions taken by any reconstituted Board, what may emerge is simply a shift of the big problems from the RTA over to CMAP, unless the appointing authorities agree that real reform is needed and appoint members to implement those reforms.

The issue of governance and addressing whether real reform is politically feasible is no small matter. The CMAP Board should discuss if there is consensus that reform is needed and if so, whether the Board wishes to make it a priority to pursue changes that will work towards achieving the goals of GO TO 2040.

In addition to this memo and to move this discussion forward, RTA staff will make a presentation to the CMAP Board at your meeting to provide you with information on the RTA governance structure, the operating funding formula, and the capital funding distribution.

**ACTION REQUESTED:** Discussion

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