



MEMORANDUM

To: Council of Mayors Executive Committee

From: CMAP Staff

Date: April 5, 2016

Re: Alternative Long-Term Funding Options

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 January, the Board and MPO Policy Committee discussed initial thoughts prepared by staff and directed staff to continue to explore the elements of a backup approach, to be exercised in the absence of state legislation, that included local dues, fee-for-service arrangements, and external grants. In February, the Board continued this conversation, beginning to discuss budget targets.

These discussions have led to an initial proposal, described further in the following pages. In March, the Board and the MPO Policy Committee discussed the following material, and the Board will consider the proposal in April. Staff also recommends making adjustments to the Memorandum of Understanding between the Board and the MPO Policy Committee to reflect elements of this proposal.

The options discussed in this memo are long-term solutions to CMAP's funding issues. Even if the backup plan described in this memo is successfully put into place, CMAP will still experience significant cash flow issues in early FY17. Staff is developing options to address this and will report on progress at future meetings.

Target long-term funding levels

Table 1 shows FY16 budget amounts and proposed approximate targets for future budgets.

Table 1. Proposed long-term budget adjustments

Revenue source	FY16 budget	Proposed long-term adjustments
FHWA and FTA	\$12,725,455	Maintain, with growth over time as federal spending increases
IDOT	\$3,601,364	Reduce to \$2 million annually
Local dues	\$250,000	Increase to \$1.5 million annually
Fee-for-service	\$100,000*	Increase to \$500,000 annually
Other	\$1,009,300	Increase to \$2 million annually
Total	\$17,586,119	

* Fee-for-service revenue was not initially included in the 2016 budget because the LTA local match requirement, which took effect in fall 2015, had not yet been implemented. Approximately \$200,000 annually is expected to be generated through this requirement, with a smaller amount (\$100,000) in the initial year.

As this table shows, the proposed changes seek to raise approximately \$1.6 million additional annually through local dues and fee-for-service arrangements. This amount is half of the \$3.2 million that is required to match CMAP's federal funding. Correspondingly, expected funding from IDOT, which currently contributes all of the required match plus an additional \$400,000, is proposed to be cut by \$1.6 million. In other words, this proposal evenly splits the required match between IDOT and other local sources. On top of this, CMAP also intends to pursue external grants more aggressively, with the target of doubling the amount received through such sources.

These increases in dues and fee-for-service are significant, so staff proposes to phase them in over a two-year period. Table 2 shows a proposed stepped increase in FY17 and FY18 to reach the proposed long-term levels. Further future increases to accommodate inflation will also be necessary, but these details will be worked out at a later point.

Table 2. Future budget proposal

Revenue source	FY16 budget	FY17 proposal	FY18 proposal
Local dues	\$250,000	\$900,000	\$1,500,000
Fee-for-service	\$100,000	\$300,000	\$500,000

The remainder of this memo walks through a proposal for the dues structure. It contains some additional thoughts on fee-for-service arrangements and additional grantseeking, but covers these topics in less detail.

Local dues

Local dues collection is proposed to rise to \$1.5 million annually, up from \$250,000 today, with a FY17 target of \$900,000. Local dues are proposed to be split evenly between the three types of agencies that support and govern CMAP: Counties, municipalities, and transportation agencies. In other words, each of these types of agencies would be charged \$300,000 in dues in FY17, and \$500,000 in dues in FY18 and beyond, as shown in Table 3.

Table 3. Dues proposal, FY17 and FY18

	2006 contributions	2014 contributions	FY17 proposal	FY18 proposal
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
County subtotal	\$426,503	\$175,000	\$300,000	\$500,000
City of Chicago	\$173,831	\$25,000	\$101,928	\$169,880
Suburban municipalities	\$325,000	\$50,000	\$198,072	\$330,120
Municipal subtotal	\$498,831	\$75,000	\$300,000	\$500,000
Transit agencies (through RTA)	\$52,000	\$100,000	\$240,000	\$400,000
Tollway	\$25,513	\$25,000	\$60,000	\$100,000
Transportation agency subtotal	\$77,513	\$125,000	\$300,000	\$500,000
Total	\$1,002,846	\$375,000*	\$900,000	\$1,500,000

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

Among municipalities, Table 3 shows distribution between the City of Chicago and the suburban municipalities. This proposal distributes dues by current population. The FY18 dues rate would be approximately 6.2 cents per capita, meaning a community with a population of 12,000 (the median community size in the region) would have an annual dues request of approximately \$750. At their meeting in April, the CMAP Board will discuss other elements of the dues proposal that relate specifically to suburban municipalities, including incentives for the Councils of Mayors to assist with dues collection, and waivers or reductions for municipalities that are very small or economically distressed.

Mandatory dues

Currently, CMAP dues are voluntary, and there is no consequence for non-payment. Staff believes that dues must become mandatory, and has found strong support for this position in previous discussions with potential dues-paying groups. CMAP has no ability to compel payment, but it can withhold services from organizations that do not pay. Some services, like processing TIP changes or considering applications for Congestion Mitigation and Air Quality

(CMAQ) or Transportation Alternatives Program (TAP) funding, cannot be withheld by federal law; in other areas, the Board and MPO Policy Committee have more discretion in allocating resources.

Staff proposes two consequences for non-payment of dues. First, non-dues-payers should not have access to the Local Technical Assistance (LTA) program. Second, and more significantly, non-dues-payers should not have access to Unified Work Program (UWP) funding. The UWP program, administered by CMAP, is the main funding source for CMAP, but also provided nearly \$4 million in federal funds in FY16 to external agencies. Many of the agencies that will be requested to increase their dues contributions already receive a much higher amount of funding through the UWP program.

Demonstration of CMAP's value

CMAP has begun to prepare short, one-page documents, customized to each agency that will be asked to contribute local dues, explaining the reasons why CMAP must request a higher dues contribution, describing the work that CMAP has done with each agency, and enumerating the reasons why funding CMAP is directly beneficial to them. Individualized, specific documents have been created each Council of Mayors and sent to each municipality and Council.

Fee-for-service arrangements and external grantseeking

Local dues are proposed to be a significant way in which additional revenue for CMAP's activities can be generated, but there are other methods as well, including charging for services that CMAP offers. This was recently initiated for the LTA program, and there may be opportunities to charge fees for other services as well. Suggestions from stakeholders have included charging for modeling, analysis, or data requests by consultants or transportation implementers; adding an administrative fee to CMAQ or similar applications; or charging for trainings conducted by CMAP. CMAP, IDOT, and FHWA are still discussing what activities are eligible for fee-for-service requirements, so staff is not yet able to provide much detail on this element of the backup plan. As discussed earlier, the proposal for fee-for-service revenue is \$500,000 annually, with a lower target of \$300,000 in FY17. However, this amount may change based on the legality and practicality of charging for various services.

Staff recommends increasing CMAP's efforts to seek external grants, doubling the annual target from \$1 million to \$2 million. However, funds raised through external grantseeking are likely not appropriate to contribute to the required local match for federal transportation funding. Therefore, this element of the backup plan is not extensively explored in this memo.

ACTION REQUESTED: Discussion

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