

2010 Regional ADA Paratransit Operating Budget

Summary

The 2010 Regional ADA Service program is summarized below and detailed throughout this section. Total operating expenses will reach \$127.595 million in 2010—up 9.5% or \$11.087 million over estimated 2009 levels. Revenues will increase by 6.0% or \$.471 million. The 2010 revenue budget presented in the table reflects status quo fare levels. The ADA program will require \$119.242 million in funding for 2010—up 9.8% or \$10.616 million, however, the funding mark established by the RTA on September 15th provided \$90.303 million in funding for ADA, leaving a funding shortfall of \$28.939 million. Pace is looking at all available options to eliminate the shortfall. A full review of the proposed budget balancing actions is provided in the appendix of this document.

The problem with ADA funding has been on-going since Pace was given responsibility for the program; however, given the current poor state of the economy, and declines in sales tax income, the ADA Paratransit program is currently in a state of financial crisis. For 2009, declining sales tax projections resulted in RTA reducing the ADA fund level from the 2008 budget level of \$100 million down to \$89 million in 2009. In order to make up

part of the shortfall, the RTA put together a plan that allocated \$3.897 million in RTA Discretionary ICE funds, and directed Pace to use \$9.0 million of 2010 Capital funds while plugging an additional part of the gap with \$4.104 million in RTA working cash. However, knowing that these actions were inadequate to balance the budget, the RTA directed Pace to also implement actions identified by a recent consultant study that the RTA commissioned in order to evaluate the Pace ADA program. Among these actions was the recommendation to raise fares. This was one of the directives to Pace that was authorized by the RTA Board. The total amount needed to balance the 2009 budget was set at \$2.658 million which is highlighted in the table below.

For 2010, the funding shortfall is projected at \$28.939 million. Pace will be looking at all possible actions to manage within available resources. Full details of the proposed actions are provided in the appendix.

After adjusting for the budget balancing actions, Pace's 2010 ADA paratransit budget meets the funding and recovery marks set by the RTA.

Table 21. Regional ADA Paratransit Budget Summary (000's)

	2008 Actual	2009 Estimate	2010 Budget
Total Operating Expenses	\$ 107,626	\$ 116,508	\$ 127,595
Less: Total Operating Revenue	7,935	7,882	8,353
Deficit	99,691	108,626	119,242
Budget Balancing Actions	0	(2,658)	(28,939)
Funding Requirement	\$ 99,691	\$ 105,968	\$ 90,303
Less: Sales Tax and PTF (Part II)	\$ 100,000	\$ 88,968	\$ 90,303
RTA Discretionary from ICE	0	3,897	0
Pace Capital Funds for Operation	0	9,000	0
RTA Working Cash Borrowing	0	4,103	0
Total Funding	\$ 100,000	\$ 105,968	\$ 90,303
Net Funding Available	\$ 309	\$ 0	\$ 0
Recovery Ratio*	10.00%	10.00%	10.00%

*Capital cost exemption credits applied for all years.

Regional ADA Paratransit Source of Funds

RTA/ADA Fund

The Regional ADA paratransit budget is funded from two sources—public funding and revenues generated from operations. With the passage of PA 95-0708 in January, 2008, which amended the RTA Act, a new dedicated source of funding was established for the Regional ADA Paratransit Program.

Section 2.01(d) requires that the RTA establish an ADA Paratransit Fund and each year deposit into the fund amounts as specified in Section 4.03.3, plus any additional funds provided by the state for this purpose. Section 4.03.3 directs that for 2008, \$100 million be deposited into the ADA fund. For years after 2008, the Act provides that this amount is to be adjusted based on the percentage change in RTA public funding generated from sales taxes from the previous year. In short, the amounts change at the same rate as the RTA sales taxes.

Any amounts deposited into the fund are for the exclusive purpose of funding ADA paratransit services. The RTA can carry over positive fund balances should they exist from one year to the next and use those proceeds to fund future year ADA paratransit services.

By September 15th, the RTA is required to advise Pace and the other Service Boards of the amounts and timing of public funds that will be provided for the coming

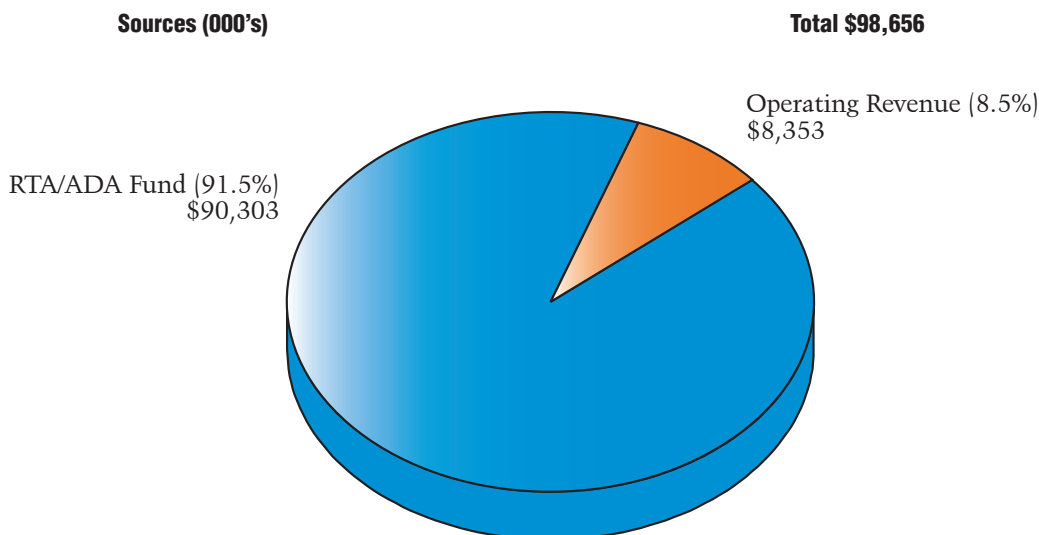
and two following fiscal years. For 2010, the RTA has established \$90.303 million in funding from the Regional ADA Paratransit Fund.

Operating Revenue

The remaining revenue source is operating revenue which is generated from passenger fares. This source is estimated at \$8.353 million for 2010 and reflects no fare increase. The growth in operating revenue is consistent with the projected growth in demand for next year. Ridership is estimated to increase 6.0% in 2010.

The recovery ratio for ADA paratransit services is established at 10% by the RTA Act. In determining compliance with the 10% requirement, the RTA can allow the use of capital credits to expense, consistent with the Federal Capital Cost of Contracting provisions. The purpose of the capital expense exemption from the recovery rate calculation is to exclude those capital costs—similar to the exclusion of capital costs from the calculation of the regional recovery ratio.

Chart G. ADA Source of Funds



Regional ADA Paratransit Use of Funds

All funds received in 2010 will be used to provide and support ADA paratransit services. The major components of the ADA program consist of City ADA services and Suburban ADA services. Service delivery under both of these programs is contracted to private service operators. Another service element offered in the City of Chicago is a Taxi Access Program (TAP). This program provides subsidized taxi service to ADA eligible riders. In addition to the City and Suburban cost elements, there are regional support costs which represent the indirect overhead costs of supporting the Regional ADA Paratransit service overseen by Pace. Details on the City, Suburban ADA services, and TAP are included on Table 22, page 34.

City ADA Services

Pace became responsible for the provision of all ADA service in the region in July, 2006, including the service within the City of Chicago. For 2010, Pace expects to spend \$97,581,000 for City ADA service. The majority of these expenditures (94.8%) will be spent on service delivery through private contractors. The balance includes costs for insurance, administration and costs related to trips for certifying ADA eligible participants.

Taxi Access Program (TAP)

Pace also became responsible for the provision of subsidized taxi service to ADA eligible riders in the City of Chicago in July, 2006. Pace will spend \$3,410,000 for the TAP program in 2010.

Suburban ADA Services

Pace has always provided ADA service in the suburbs. For 2010, Pace will spend \$22,731,000 for Suburban ADA service. Costs for contracted service in the suburbs will account for 96.1% of the total cost, including fuel. Similar to the city service, the balance of the costs are also for insurance, administration and the costs for certifying ADA eligible participants.

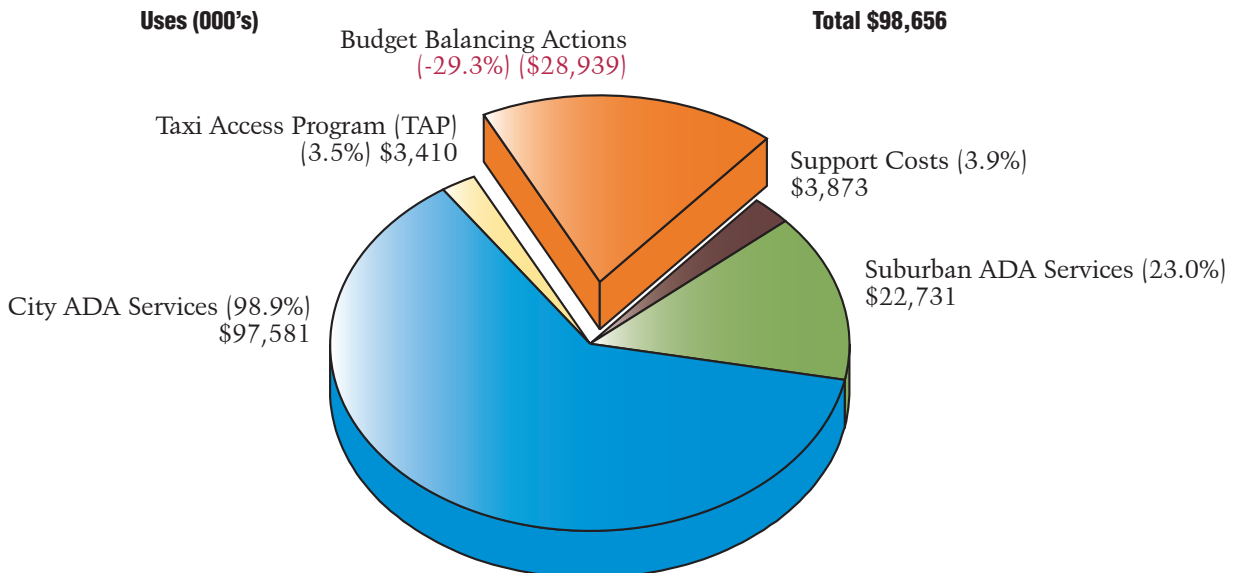
Indirect Overhead Costs

There are regional support costs that Pace incurs on behalf of managing and operating the ADA program. For 2010, Pace will incur \$3,873,000 in overhead costs that will be allocated to the Regional ADA program.

Budget Balancing Actions

In order to bring the ADA program in alignment with available funds, Pace will implement \$28.939 million in budget balancing actions in 2010.

Chart H. ADA Use of Funds



2010 Regional ADA Paratransit Service Budget—City/Suburban Detail

Pace’s 2010 proposed revenue, expense and funding requirements for the Regional ADA Paratransit services are detailed on Table 22 below. The estimates for 2009 and the proposed budget for 2010 are broken down into City, TAP and Suburban components.

The program, as presented, reflects budget balancing actions required to bring the ADA within available funding levels.



Bus service to shopping centers is critical to our riders.

Table 22. 2010 Regional ADA Paratransit Service Budget—City/Suburban Details (000's)

	2009 Estimate			2010 Budget			Net Change 2009-2010
	City	Suburban	Region Total	City	Suburban	Region Total	
REVENUE							
Fares—Contract	\$ 4,702	\$ 1,613	\$ 6,315	\$ 4,984	\$ 1,708	\$ 6,692	\$ 377
Fares—TAP	943	-	943	1,000	-	1,000	57
RTA Certification	367	257	624	389	272	661	37
Total Revenue	\$ 6,012	\$ 1,870	\$ 7,882	\$ 6,373	\$ 1,980	\$ 8,353	\$ 471
EXPENSES							
Contract Services	\$ 84,999	\$ 17,717	\$102,716	\$ 92,577	\$ 20,162	\$112,739	\$ 10,023
TAP Services	3,217	-	3,217	3,410	-	3,410	193
Fuel	-	1,298	1,298	-	1,682	1,682	384
Administration	3,991	573	4,564	4,192	605	4,797	233
Insurance	344	11	355	375	11	386	31
RTA Certification	367	257	624	389	272	661	37
Other	46	0	46	47	0	47	1
ADA Support Allocation	-	-	3,688	-	-	3,873	185
Total Expenses	\$ 92,964	\$ 19,856	\$116,508	\$100,990	\$ 22,732	\$127,595	\$ 11,087
Deficit	\$ 86,952	\$ 17,986	\$108,627	\$ 94,617	\$ 20,752	\$119,242	\$ 10,615
Budget Balancing Actions	\$ -	\$ -	\$ (2,659)	\$ -	\$ -	\$ (28,939)	\$(26,280)
Funding Requirement	\$ 86,952	\$ 17,986	\$105,968	\$ 94,617	\$ 20,752	\$ 90,303	\$(15,665)
Public Funding	\$ -	\$ -	\$105,968	\$ -	\$ -	\$ 90,303	\$(15,665)
Net Funding Available	\$ -	\$ -	\$ 0	\$ -	\$ -	\$ 0	\$ 0
Recovery Ratio	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	-
Ridership—Contract	2,090	565	2,655	2,215	599	2,814	159
Ridership—TAP	226	-	226	239	-	239	13
Ridership—Total	2,316	565	2,881	2,454	599	3,053	172

Regional ADA Three Year Plan and Ten Year Business Plan

General

The following section presents Pace’s Regional ADA Paratransit Three Year Plan and Ten Year Business Plan.

In summary, the 2010 ADA Paratransit Budget is balanced with the application of budget balancing actions. In order to balance the outyears, additional budget balancing actions will be required. The 2010 budget and the outyears achieve the 10% recovery mark set by the RTA.

The budget balancing actions used to balance the plan contain numerous assumptions, including the option of utilizing fare increases. As Pace continues to look at all available options, no impact on revenues and expenses are reflected in this section at this time. For more information on proposed budget balancing actions, reference the appendix of this document.

One important observation about the outlook for the ADA paratransit program is that the present source and level of funding appears to be grossly inadequate.

We recognize that the RTA is responsible for the financial planning and funding of the ADA paratransit program. Pace is the agency charged with service delivery responsibilities. Pace’s regional ADA financial plan is not intended to supplant the RTA’s own plans for the ADA program, rather the intent is to provide input for the RTA’s consideration, and one important need is to identify adequate funding for this program.

Assumptions

In order to prepare this plan and forecast, a number of assumptions have been made. The economic assumptions used in this plan for items such as fuel, labor/fringes, etc., are the same as those used for Pace’s Suburban Service budget and are described in detail on page 25 of this document.

The assumptions for service related expense growth unique to this ADA Paratransit Financial Plan are shown on Table 23.

Highlights—2010 Budget and Two Year Plan

The budget and plan presented in Table 24 shows the ADA paratransit program in a state of financial crisis. In order to balance the plan to within available funding levels, significant budget balancing actions are required for all three years of the plan. Full detail of the required actions is discussed in Appendix J.

Highlights—Ten Year Business Plan

Like the first three years, the ten year plan relies on the continued use of budget balancing actions in order to balance the program to the level of funding projected by the RTA. These actions may include, but are not limited to, service and fare adjustments, identification of additional funds or revenues, reduction of operating costs, use of retained earnings and/or the use of federal capital funds for operating purposes.

Some of the highlights of the ten year plan include operating revenues which will grow at an annual compound rate of 5.9%, consistent with the annual compound growth rate for ridership—6.0%. Expenses grow at a compound rate of 8.7% and reflects growth in demand as well as inflationary cost growth. ADA public funding will grow at an annual compound rate of 1.0% and presents a significant problem for all years of the plan cycle. In addition to budget balancing actions, additional funding will need to be identified for this program.

Table 23. Expense Growth Factors

	2010	2011	2012	2013-2019*
Contractor Costs—City	2.8%	2.5%	2.1%	3.1%
Contractor Costs—Suburban	7.5%	3.4%	3.8%	3.1%
Demand—City	6.0%	6.0%	6.0%	6.0%
Demand—Suburban	5.9%	5.9%	5.9%	5.9%

*Annual Compound Rates

Regional ADA Paratransit Three Year Plan and Ten Year Business Plan

Table 24. 2010–2012 Regional ADA Paratransit Three Year Plan and Ten Year Business Plan and Fund Balance (000's)

	2008 Actual	2009 Estimate	2010 Budget	2011 Plan	2012 Plan
OPERATING REVENUE					
Fares	\$ 6,996	\$ 7,258	\$ 7,692	\$ 8,152	\$ 8,639
RTA Certification Trips	939	624	661	700	742
Total Revenue	\$ 7,935	\$ 7,882	\$ 8,353	\$ 8,852	\$ 9,381
OPERATING EXPENSES					
Labor/Fringes	\$ 2,123	\$ 2,382	\$ 2,500	\$ 2,582	\$ 2,701
Health Care	266	295	307	341	378
Administrative Expenses	1,533	1,933	2,037	2,081	2,135
Fuel	2,004	1,298	1,682	1,732	1,853
Insurance/Claims	353	355	386	407	431
RTA Certification Trips	657	624	661	700	742
Suburban ADA Purchased Transportation	16,700	17,717	20,162	22,078	24,264
City ADA Purchased Transportation*	76,737	84,999	92,577	100,591	108,898
TAP & Mobility Direct Services	3,674	3,217	3,410	3,615	3,832
Regional ADA Support Allocation	3,577	3,688	3,873	4,001	4,185
Total Expenses	\$ 107,626	\$ 116,508	\$ 127,595	\$ 138,128	\$ 149,419
Deficit	\$ 99,691	\$ 108,626	\$ 119,242	\$ 129,277	\$ 140,038
Budget Balancing Actions	0	(2,658)	(28,939)	(36,356)	(44,422)
Funding Requirement	\$ 99,691	\$ 105,968	\$ 90,303	\$ 92,921	\$ 95,616
PUBLIC FUNDING					
Sales Tax and PTF (Part II)	\$ 100,000	\$ 88,968	\$ 90,303	\$ 92,921	\$ 95,616
RTA Discretionary from ICE	0	3,897	0	0	0
Pace Capital Funds for Operations	0	9,000	0	0	0
RTA Working Cash Borrowing	0	4,103	0	0	0
Total Public Funding	\$ 100,000	\$ 105,968	\$ 90,303	\$ 92,921	\$ 95,616
Net Funding Available	\$ 309	\$ 0	\$ 0	\$ 0	\$ 0
Recovery Ratio	10.0%	10.0%	10.0%	10.0%	10.0%
PACE ADA FUND BALANCE SHEET					
Total Assets	\$ 17,585	\$ 16,097	\$ 16,445	\$ 16,800	\$ 17,196
Total Liabilities	20,942	19,420	19,732	20,051	20,410
Invested in Capital Assets	1,780	1,814	1,850	1,886	1,923
Unrestricted Net Assets (Fund Balance)	(5,137)	(5,137)	(5,137)	(5,137)	(5,137)
Total Liabilities and Net Assets	\$ 17,585	\$ 16,097	\$ 16,445	\$ 16,800	\$ 17,196

*Includes Taxi Access Program.

	2013 View	2014 View	2015 View	2016 View	2017 View	2018 View	2019 View
\$	9,138	\$ 9,666	\$ 10,225	\$ 10,816	\$ 11,442	\$ 12,104	\$ 12,805
	792	848	912	981	1,057	1,138	1,226
\$	9,930	\$ 10,514	\$ 11,137	\$ 11,797	\$ 12,499	\$ 13,242	\$ 14,031
\$	2,752	\$ 2,817	\$ 2,903	\$ 2,997	\$ 3,099	\$ 3,204	\$ 3,313
	402	428	456	485	516	549	584
	2,159	2,189	2,228	2,271	2,316	2,362	2,410
	2,006	2,186	2,342	2,452	2,562	2,691	2,820
	456	488	533	585	644	710	783
	792	848	912	981	1,057	1,138	1,226
	25,981	27,968	30,318	32,922	35,813	38,957	42,378
	117,787	128,000	140,076	153,559	168,632	185,185	203,363
	4,144	4,504	4,929	5,403	5,933	6,516	7,155
	4,263	4,365	4,498	4,644	4,801	4,965	5,134
\$	160,742	\$ 173,793	\$ 189,195	\$ 206,298	\$ 225,374	\$ 246,278	\$ 269,165
\$	150,812	\$ 163,279	\$ 178,058	\$ 194,500	\$ 212,875	\$ 233,035	\$ 255,135
	(52,423)	(62,037)	(73,880)	(87,301)	(102,567)	(119,528)	(138,336)
\$	98,389	\$ 101,242	\$ 104,178	\$ 107,199	\$ 110,308	\$ 113,507	\$ 116,799
\$	98,389	\$ 101,242	\$ 104,178	\$ 107,199	\$ 110,308	\$ 113,507	\$ 116,799
	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
\$	98,389	\$ 101,242	\$ 104,178	\$ 107,199	\$ 110,308	\$ 113,507	\$ 116,799
\$	0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$	17,634	\$ 18,084	\$ 18,545	\$ 19,018	\$ 19,503	\$ 20,001	\$ 20,511
	20,811	21,223	21,645	22,078	22,523	22,979	23,447
	1,960	1,998	2,037	2,077	2,117	2,159	2,201
	(5,137)	(5,137)	(5,137)	(5,137)	(5,137)	(5,137)	(5,137)
\$	17,634	\$ 18,084	\$ 18,545	\$ 19,018	\$ 19,503	\$ 20,001	\$ 20,511

Pace Regional ADA Paratransit Cash Flow—2010

The following provides an estimate of Pace’s revenues, expenses and cash position for Regional ADA Paratransit service operations on a monthly basis. Estimates for public funding are included in total revenues and are based on information provided by the RTA. However, RTA’s funding marks are inadequate to cover ADA and are also not backed with an identified source of funds.

The projected cash flow presented below for Pace’s Regional ADA Paratransit service does not reflect budget balancing actions. Adequate funds are available through October of 2010 without actions.



ADA paratransit services are provided in the City of Chicago with contractor owned equipment.

Table 25. Pace Regional ADA Projected Cash Flow Summary—2010 (000's)

	Beginning Balance	Revenues	Expenses	Net Results	Ending Balance
January	\$ 9,491	\$ 9,654	\$ 9,875	\$ (221)	\$ 9,270
February	9,270	9,654	10,633	(979)	8,292
March	8,292	9,654	10,633	(979)	7,313
April	7,313	9,654	10,633	(979)	6,334
May	6,334	9,654	10,633	(979)	5,355
June	5,355	9,654	10,633	(979)	4,376
July	4,376	9,655	10,633	(978)	3,398
August	3,398	9,655	10,633	(978)	2,420
September	2,420	9,655	10,633	(978)	1,442
October	1,442	9,655	10,633	(978)	464
November	464	9,654	10,633	(979)	(515)
December	(515)	9,654	10,633	(979)	(1,494)