

Executive Summary

Budget Issues

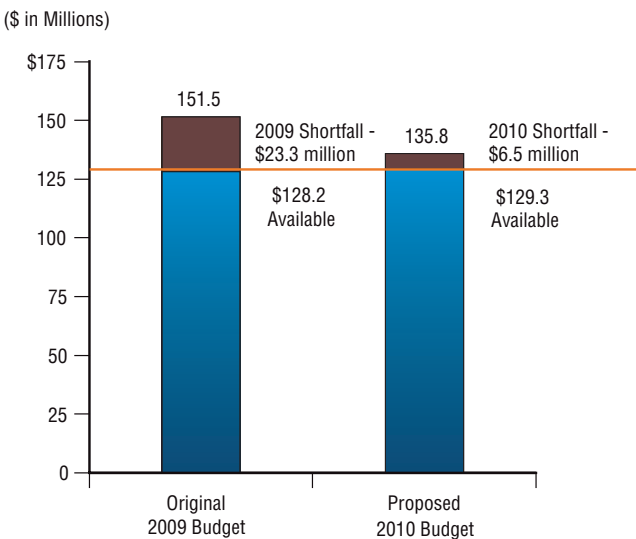
Suburban Services Operating Funding

Pace, like all governmental agencies supported by sales taxes, is experiencing financial hardships due to the economic downturn. In 2009, Pace's funding was reduced by \$23 million or 15% due to declining sales tax returns. In an effort to address this shortfall, Pace implemented a substantial fare increase in January 2009—revenues generated by this increase combined with falling fuel prices and the deferral of service improvements for 2009 balanced the budget.

For 2010 we face even greater challenges—while sales tax income is projected to increase slightly (by 1.5%), the increase is offset by the loss of RTA discretionary funding for 2010. This essentially leaves Pace with the same depressed funding level for 2010 as in 2009 and will require us to identify an estimated \$6.5 million in budget reductions for 2010 in order to balance the budget.

This situation is depicted by the following chart.

Chart A. Pace Suburban Services Funding 2009-2010



We have identified a solution to the projected shortfall for 2010 and it involves a balance of service and non-service related budget reductions. In an effort to minimize the impact on our customers we have identified a number of non-service related budget reduction opportunities that will be implemented in 2010 that will save an estimated \$2.7 million.

These include reductions to non-union labor and fringe benefits as well as key non-service programs such as marketing and risk management. However, after identifying all potential non-service savings, there is still a need to look to direct service related expenses to close the remaining gap. To that end we have identified \$3.8 million in service reductions which can be implemented in 2010. These services are largely our lower productivity services that carry fewer passengers. While the 750,000 annual riders that depend on these services will be adversely impacted, we believe that we have limited the negative impact to as few customers as possible.

Due to the magnitude of the fare increase implemented in 2009, it is not believed that fares can be increased further in 2010; therefore, there is no fare increase option under consideration for the suburban services budget.

Table 1. Summary Budget Balancing Actions

Action	Savings (Millions)	Ridership Impact (Millions)
Service Reductions	\$ 3.8	.750
Non-Service Reductions	2.7	—
Total	\$ 6.5	.750

Further information on the proposed reductions is provided in Appendix J.

While rising costs for everything from fuel to health-care make it difficult for Pace to get by on flat funding from the prior year, the 2010 budget plan we are presenting for the Suburban Services program in this document represents an efficient solution to the difficult situation we face for 2010.

ADA Paratransit Budget

The ADA Paratransit Program is in a state of financial crisis as we approach 2010. The RTA ADA fund which was established by PA 95-0708 has declined in value based on the decline in sales tax income while program expenses have grown due to increasing demand for services.

In order to understand the financial situation facing the ADA program for 2010, it is important to take a closer look at the position the program is in for 2009.

2009 ADA Budget Overview

Based on declining sales tax projections, the RTA reduced the ADA fund level from \$100 million in 2008 to an initial 2009 budget level of \$99 million. The \$99 million fund level initially set for 2009 was then reduced further on two separate occasions to the \$89 million level as it currently stands. While the fund level was reduced by \$11 million from 2008, the funding needed grew from the \$100 million in 2008 to a projected \$108 million in 2009. The 2008 to 2009 funding requirement increased primarily to an 8% growth in demand for services during 2009.

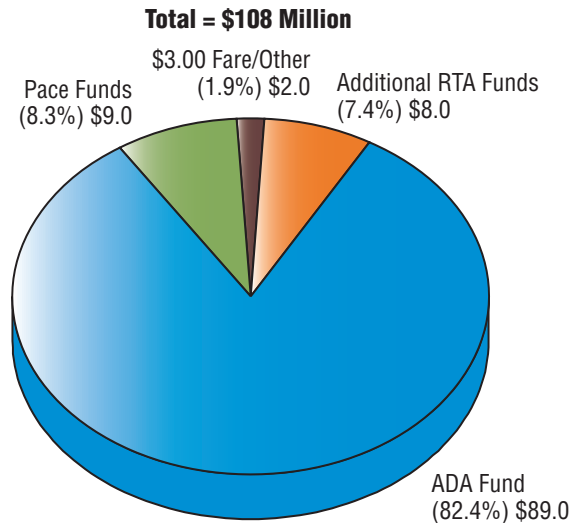
The RTA has identified \$8 million in additional funding for ADA in 2009. They are also requiring Pace to commit \$9 million from our 2010 federal capital funding, raise ADA fares to \$3.00 and reduce call taking hours to close the remaining gap for 2009. While these actions are designed to address the 2009 shortfall, they do not represent a solution for 2010 or beyond.

2010 ADA Budget Situation

For 2010, Pace projects that based on 6% ridership growth and known increases in contractor costs, the funding required for the ADA program will reach \$119.2 million.

The RTA projects \$90.3 million to be available from the ADA fund in 2010, leaving a shortfall of \$28.9 million.

Chart B. 2009 ADA Paratransit Funding



RTA ADA 2010 Budget Solution

The RTA has identified the need for budget balancing actions of up to \$17.2 million in 2010. These actions include the future availability of \$9.0 million in RTA/ICE funds contingent on the compliance with the requirements of their ordinances 2009-67 and 2009-74. In addition, they include the commitment by Pace of \$3.4 million of its Suburban Service operating or capital funds in the \$17.2 million.

This proposed solution is problematic from several standpoints—first and foremost, it does not balance the ADA budget for 2010. Second, it presumes that Pace is responsible for funding the ADA paratransit program from its Suburban Services operating or capital funds. This is a position that Pace rejects.

While the RTA required Pace to use \$9.0 million of its capital funds to balance the ADA shortfall for 2009, it was accepted by the Pace Board as a crisis resolution action and it does not represent the view that Pace bears any responsibility for future funding of the ADA program. To that end, the Pace Board will not approve further use of Pace funds to balance the ADA budget in 2010.

Pace ADA 2010 Budget Solution

Under the present circumstances indicating inadequate funding from RTA for 2010, the Pace Board will consider what actions they can take to close the 2010 budget shortfall. The RTA ordinance (2009-74) identifies that further actions will be required to balance the 2010 ADA budget, including but not limited to:

- adjusting service and/or fares,
- implementing efficiencies,
- reducing operating costs, and
- identifying additional funds or revenues including 2010 RTA ICE funds and Pace funds.

With the exception to the use of Pace funds, Pace intends to pursue implementation of the RTA's recommended actions.

- Pace implemented the ADA fare increase to \$3.00 in November 2009, as required by RTA.
- Pace intends to fully implement the cost savings opportunities identified by the RTA's study of the ADA paratransit system completed in 2009.

- Pace is working with State and RTA officials to secure \$8.5 million of additional funding for the ADA program.

In the event and to the extent these efforts are unsuccessful, and only as a last resort, Pace will need to consider a further fare increase for the ADA program.

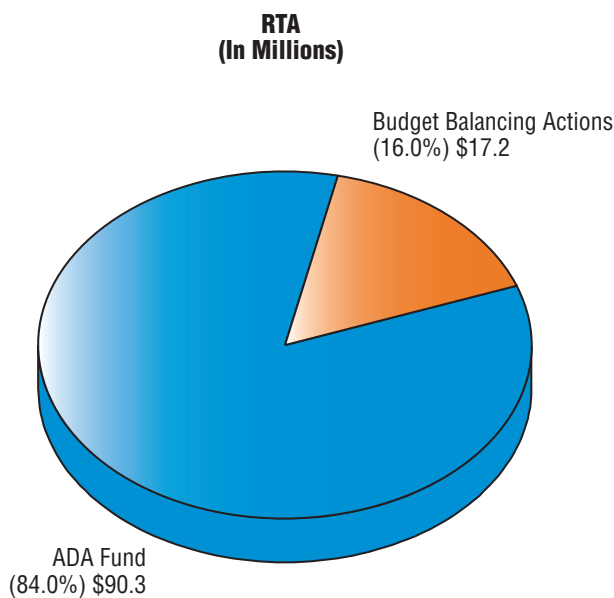
The total result stemming from the above actions is being considered the "budget balancing actions," which closes the gap between the RTA/ADA fund level and the projected deficit for 2010.

The RTA and Pace have different assumptions with regard to the amount and composition of budget balancing actions required in 2010. These differences will be reconciled as more information from RTA becomes known. Last, but most important, RTA is expected to provide working cash to Pace in the event more than \$107.5 million is needed to fund the program in 2010.

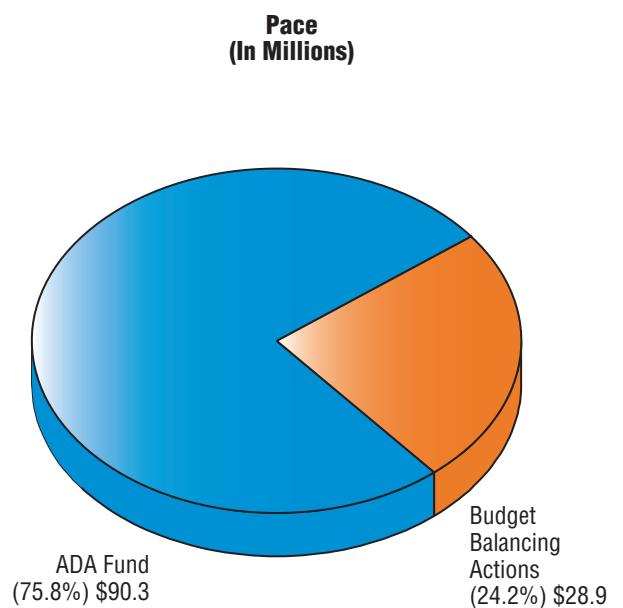
Chart C identifies the RTA's proposed 2010 ADA budget solution and Chart D identifies Pace's recommended 2010 ADA budget solution.

Additional detail on Pace's actions is provided on Table 48 in Appendix J.

**Chart C. 2010 RTA/ADA Paratransit Deficit—
\$107.5 Million**



**Chart D. 2010 Pace/ADA Paratransit Deficit—
\$119.2 Million**



2010 Operating Budget Summary

On September 15, 2009, the RTA established funding and recovery rate marks for Pace’s traditional Suburban Services budget and the Regional ADA Paratransit program operated by Pace. The RTA Act as amended in 2005 established Pace as the provider of all ADA paratransit service throughout the six county region in northeastern Illinois, including the City of Chicago.

The status quo expense budget for Suburban Services in 2010 is \$190.888 million. Suburban Services operating revenues are budgeted at \$55.043 million. Total public funding for Suburban Services will reach \$129.347 million based on funding marks provided by the RTA. The status quo operating deficit is \$135.845 million. The funding level leaves a shortfall of \$6.498 million that is addressed by budget balancing actions identified in Appendix J.

The status quo expense budget for the Regional ADA Paratransit program in 2010 is \$127.595 million.

At current fare levels, ADA operating income will be \$8.353 million resulting in a funding requirement of \$119.242 million. The ADA fund for 2010 is projected at \$90.303 million leaving a shortfall of \$28.939 million. This shortfall is reduced by an equal amount of budget balancing actions being implemented in late 2009 and 2010. More information on the ADA budget balancing actions is included in Appendix J.



Service to the Pace Transportation Center in Harvey is the most heavily used facility in our system.

Table 2. 2010 Suburban Service Operating Budget Summary (000's)

	Suburban Service	Regional ADA Paratransit	Combined Pace Services
Total Operating Expenses	\$ 190,888	\$ 127,595	\$ 318,483
Less: Total Operating Revenue	55,043	8,353	63,396
Deficit	\$ 135,845	\$ 119,242	\$ 255,087
Budget Balancing Actions	(6,498)	(28,939)	(35,437)
Funding Requirement	\$ 129,347	\$ 90,303	\$ 219,650
Less: RTA Funding Sales Tax (Part I)	\$ 69,883	\$ 0	\$ 69,883
Sales Tax & PTF (Part II)	29,812	90,303	120,115
RTA Discretionary (PTF - Part I)	0	0	0
Suburban Community Mobility Funds (SCMF)	18,061	0	18,061
South Suburban Job Access Funds	7,500	0	7,500
Federal CMAQ/JARC/New Freedom Funds	3,105	0	3,105
RTA ICE Funds	986	0	986
Net Funding Available	\$ 0	\$ 0	\$ 0
Recovery Ratio	36.00%	10.00%	N/A

2010 Capital Budget Summary

The 2010 Capital Program totals \$66.4 million. The program contains \$31.7 million for the purchase of 22 fixed route buses, 15 vans and a Diesel Engine Retrofit Program. Additionally, these funds will be used for Associated Capital, which is used to purchase bus components such as engines and transmissions, and funds to help pay for bus overhaul/maintenance expenses. Lastly, included in this amount is \$9.0 million from federal 5307 funding to pay for capital cost of contracting expenses incurred in 2009 for regional ADA service.

The program contains \$30.2 million for the purchase of maintenance equipment, non-revenue service trucks, computer systems, office equipment, mid-life renovation to our garages, the purchase of land and design and engineering and site work for a new Northwest Cook garage, master plan engineering for Northwest Cook and South Holland garages, and a print shop. Additionally, the program contains funds for Phase I construction of a new South Holland garage.

The program also contains \$3.5 million for a new DuPage County Transportation Center, a transit information signage project, Milwaukee Avenue and Randall Road transit infrastructure, a new park-n-ride in Plainfield, and a new transit center at Toyota Park in Bridgeview. Additionally, this amount contains funds for reconstruction at various passenger facilities, signs, and shelters. Finally, the program contains \$1.0 million for project administration cost, unanticipated capital and alternative analysis funds to develop the J-Route BRT, identified in the DuPage Area Transit Plan.

Table 3. 2010 Suburban Capital Budget (000's)

Project Description	Amount
ROLLING STOCK	
22 Fixed Route Buses - 40 ft.	\$ 8,910
15 Vanpool Vans	675
Bus Overhaul/Maintenance Expense	2,000
Associated Capital	2,850
Diesel Engine Retrofit	8,260
Capital Cost of Contracting	9,000
Subtotal - Rolling Stock	\$ 31,695
SUPPORT FACILITIES/EQUIPMENT	
Maintenance Equipment/Non-Revenue Vehicles	\$ 860
Computer System/Hardware & Software	3,440
Office Equipment	100
Garages - Mid-Life Reconstruction	4,500
Northwest Garage - Land Acquisition	4,500
Northwest Garage - Engineering and Site	9,200
Master Plans - NW Cook, South Holland, Print Shop	250
South Holland Garage Engineering/Phase I Construction	7,345
Subtotal - Support Facilities/Equipment	\$ 30,195
STATIONS AND PASSENGER FACILITIES	
DuPage County Transportation Center	\$ 500
Transit Information Signage	440
Milwaukee Avenue Transit Infrastructure	400
Randall Road Transit Infrastructure	800
Plainfield Park-N-Ride	245
Toyota Park Transit Center	475
Passenger Facilities - Mid-Life Reconstruction	450
Signs/Shelters/Passenger Amenities	150
Subtotal - Stations and Passenger Facilities	\$ 3,460
PROJECT ADMINISTRATION/MISCELLANEOUS	
Project Administration	\$ 450
Unanticipated Capital	250
J-Route BRT Alternative Analysis	360
Subtotal - Project Administration/Misc.	\$ 1,060
Total Capital Program	\$ 66,410
TOTAL FUNDING	
Federal 5307	\$ 34,100
Federal 5309	2,720
Federal CMAQ	2,340
IDOT	22,500
Pace Funds	4,750
Total Funding	\$ 66,410

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