

# Suburban Service Capital Budget and Five Year Business Plan

## Overview

The RTA established the preliminary capital program marks which estimated federal and other funds that might be available to the region for capital investment purposes. Additionally, the RTA is requiring the Service Boards to address how they will work toward returning the system to a “State of Good Repair.” The RTA, in concert with the Service Boards, continues to work towards developing a comprehensive set of performance measures. Also, Pace has had its own set of Capital investment criteria it uses to evaluate projects on an annual basis for the last 20 years.

The main focus of the RTA criteria places projects into one of three categories:

- *System Stability Investments* - “Maintain” which protects the existing system and service levels and addresses critical safety, security and regulatory projects, and moves towards returning the system to a “State of Good Repair.”
- *System Capacity Investments* - “Enhance” which makes improvements to the existing system and includes increasing capacity, operational efficiencies and new technologies.
- *Market Capture Investments* - “Expand” which includes major new capital projects of regional significance, addresses congestion relief and proposes new transit alternatives.

Additionally, the RTA, in cooperation with the Service Boards, is updating the Capital Asset Condition Assessment which was last developed in 2010. This study accumulated an inventory of all assets in the region, reviewed the condition of the assets, and placed them into one of three categories: (1) Backlog, (2) Normal Replacement, or (3) Capital Maintenance. The definitions of each category are as follows:

- *Backlog* - Replacement Costs for assets characterized by an age greater than their useful life. These assets are still in service and have not been replaced within their useful life due to the lack of sufficient funding.
- *Normal Replacement* - Replacement Cost for assets that will reach the end of their useful life during the five year program.
- *Capital Maintenance* - Cost associated with keeping an asset in a state of good repair. Capital Maintenance is typically significant, and is the cost associated with keeping the asset in service for the full term of its useful life.

Finally, the RTA, in cooperation with the Service Boards, is developing a prioritization tool which will eventually be used to ensure asset preservation, enhance quality and expand rider capacity.

The Ten Year Program Needs table below as contained in the RTA study, shows the amount of unmet capital needs by the categories of Backlog, Normal Replacement, and Capital Maintenance.

**Table 26. Ten Year Program Needs (in Billions)**

	CTA	METRA	PACE	TOTAL
Backlog	\$ 10.00	\$ 3.70	\$ 0.12	\$ 13.83
Normal Replacement	3.22	1.70	1.93	6.85
Capital Maintenance	1.78	1.97	0.20	3.94
Total Ten Year Needs	\$ 15.00	\$ 7.37	\$ 2.25	\$ 24.62
% of Program Needs	60.90%	29.94%	9.16%	100.00%

*Source: RTA Capital Asset Condition Assessment Report, August 2010*

## Summary

While State Bond Funds are assumed to be available totaling \$2.7 billion, the assets of the region’s public transportation system will still not reach a State of Good Repair much less allow investment in capacity improvements to meet market demands. The Capital Asset Condition Assessment completed in 2010 concludes that the RTA region’s ten year capital program need is \$24.6 billion, with \$13.8 billion for backlog costs, \$6.9 billion for normal replacement costs, and \$3.9 billion for maintenance costs. The RTA estimates that the Service Boards will be \$17.0 billion short in meeting that need; \$2.25 billion or 9.16% are Pace’s share of the needs.

## 2012 Suburban Service Capital Program/Project Descriptions

### Capital Budget Mark Assumptions

The 2012 Preliminary Capital Program marks from RTA provide \$32.070 million in Federal 5307 formula funding, \$22.000 million from Federal State of Good Repair discretionary funding and \$3.060 million in Federal CMAQ funding.

Additionally, \$42.850 million is expected to be available from the State of Illinois, Illinois Department of Transportation (IDOT). Lastly, Pace plans to use \$.250 million of its own funds for capital projects.

**Table 27. Pace 2012 Proposed Capital Program Marks (000's)**

<b>Suburban</b>	
Federal 5307 Formula	\$ 32,070
Federal State of Good Repair Funds	22,000
Federal CMAQ Funds	3,060
State IDOT Funding	42,850
Pace	250
<b>Total</b>	<b>\$ 100,230</b>

### Summary

The 2012 Suburban Capital Program totals \$100.230 million and the entire program falls in the category of projects needed to return the Pace system to a "State of Good Repair".

### Rolling Stock (\$86.290 Million)

- 172 Fixed Route Replacement Buses (\$80.130 million) – The program provides Federal 5307 funds for 45 fixed route buses, and Federal State of Good Repair (SOGR) funding for 35 fixed route buses. In addition, Pace will use State IDOT funds to purchase 92 buses.
- Bus Overhaul Maintenance Expenses (\$1.500 million) – The program contains funds to cover reimbursement for bus maintenance overhaul expenses which qualify as capital.
- Associated Capital (\$1.600 million) – The program contains funds for the purchase of engines, transmissions, and other bus component assemblies.
- Diesel Engine Retrofit (\$3.060 million) – The program contains funds to retrofit Cummins ISB engines in existing buses with improved mechanical components and



*Pace demolished its old Headquarters building in 2010.*

SyngasDPF that reduces engine exhaust emissions.

### Operating Cost Impacts

Pace's average fleet age is 7.2 years for fixed route, 1.9 years for paratransit, 4.1 years for vanpool and 3.4 years for community based service. The typical life expectancy is 12 years, four years, and four to five years, respectively. For fixed route buses, mid-life expenses begin increasing at the six to eight year mark. Most of the vanpool vans are past their mid-life and out of warranty. These units will incur additional annual operating costs of approximately \$3,000 each.

### Support Facilities & Equipment (\$11.812 Million)

- Improvement to Garages/Facilities (\$1.000 million) – Projects include concrete replacement at North Division, bus wash system replacement at Fox Valley Division, replacement of fuel sensor systems at various locations, installation of emergency shut off equipment on our underground storage tanks as required by the State Fire Marshal, light poles at various garages and replacement of roof top mechanical equipment at South Division.
- Purchase Emergency Generators (\$6.025 million) – Project includes the replacement of emergency generators for up to seven Pace garages. The existing generators do not have adequate load to equip each garage with full garage back-up power and the generators can no longer support the most critical functions at the garages. In recent years

Pace has lost power at its garage facilities numerous times and this seriously impacts our ability to perform routine maintenance, dispatching and fueling. When power is lost in a community, we are often called upon as first responders to move people to safe locations. Without a fully functional garage, this is very difficult.

- Computer Hardware/Software and Systems (\$3.787 million) – Purchase of miscellaneous hardware and software replacements/upgrades to existing systems including implementation of Phase II Fuel Force upgrades.
- Support Equipment/Non-Revenue Vehicles (\$.800 million) – Purchase of miscellaneous maintenance/support equipment as well as replacement non-revenue vehicles for the garages. In addition, Pace will purchase up to five ticket vending machines which will be located at Pace’s transportation centers at the UPS’s site in Hodgkins, IL. These units will cost \$25,000 per unit and they will replace existing machines which have exceeded their useful life. Selling tickets to UPS employees using our two transportation centers is very popular.
- Office Equipment/Furniture (\$.200 million) – Purchase of miscellaneous office equipment/ furniture such as fax machines, file cabinets, desks, etc. for the various garage facilities and headquarters.

#### ***Operating Cost Impacts***

Replacement of equipment and other improvements to garages covered in this year’s budget will result in cost avoidances which would otherwise impact the operating budget.

#### **Stations and Passenger Facilities (\$.800 Million)**

This project includes the purchase of passenger shelters and amenities.

#### **Miscellaneous (\$1.328 Million)**

- Pace Funded Capital/Unanticipated Capital (\$.250 million) – This project includes funds for capital eligible projects

not anticipated in the budget process.

- Project Administration (\$1.078 million) – Project includes funds for staff time spent on the administration of various grants. This reduces operating expense by an equal amount.



*Due to aging equipment, Pace replaced a broken grease line at South Division in 2011.*

#### ***Operating Cost Impacts of Non-Routine Capital Expenditures***

The 2012 Suburban Service Capital Budget contains no non-routine capital expenditures, thereby eliminating the need to quantify operating budget cost impacts. The implementation of non-routine capital projects being in year two of the multi-year plan. The operating costs impacts associated with these new costs will be addressed in future operating budgets.

**Table 28. Suburban Service 2012 Capital Program—(000's)**

<b>Project Description - Suburban Services</b>	<b>AC</b>	<b>EC</b>	<b>Funding Source</b>	<b>Total Budget</b>	<b>Federal Section 5307</b>	<b>Federal CMAQ</b>	<b>Federal SOGR</b>	<b>State IDOT</b>	<b>Pace</b>
<b>ROLLING STOCK</b>									
Purchase Up to 92 Fixed Route Buses	NR	M3	State-Bond	\$ 42,850	\$ 0	\$ 0	\$ 0	\$ 42,850	\$ 0
Purchase Up to 35 Fixed Route Buses	NR	M3	SOGR	15,900	0	0	15,900	0	0
Purchase Up to 45 Fixed Route Buses	NR	M3	Fed 5307	21,380	21,380	0	0	0	0
Bus Overhaul Maintenance Expense	CM	M3	Fed 5307	1,500	1,500	0	0	0	0
Associated Capital	CM	M3	Fed 5307	1,600	1,600	0	0	0	0
Diesel Engine Retrofit	CM	M3	CMAQ	3,060	0	3,060	0	0	0
Subtotal - Rolling Stock				\$ 86,290	\$ 24,480	\$ 3,060	\$ 15,900	\$ 42,850	\$ 0
<b>SUPPORT FACILITIES AND EQUIPMENT</b>									
Improvements to Garages/Facilities	B	M2	Fed 5307	\$ 1,000	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 0
Purchase Emergency Generators	B	M1	SOGR	6,025	0	0	6,025	0	0
Computer Systems/Hardware & Software	NR	M3	Fed 5307	3,787	3,787	0	0	0	0
Support Equipment	NR	M3	Fed 5307	800	800	0	0	0	0
Office Equipment/Furniture	NR	M3	Fed 5307	200	200	0	0	0	0
Subtotal - Support Facilities & Equipment				\$ 11,812	\$ 5,787	\$ 0	\$ 6,025	\$ 0	\$ 0
<b>STATIONS AND PASSENGER FACILITIES</b>									
Purchase Passenger Shelters and Amenities	NR	M3	Fed 5307	\$ 800	\$ 800	\$ 0	\$ 0	\$ 0	\$ 0
Subtotal - Stations and Passenger Facilities				\$ 800	\$ 800	\$ 0	\$ 0	\$ 0	\$ 0
<b>MISCELLANEOUS</b>									
Unanticipated Capital	N/A	N/A	Pace	\$ 250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 250
Project Administration	N/A	N/A	SOGR	75	0	0	75	0	0
Project Administration	N/A	N/A	Fed 5307	1,003	1,003	0	0	0	0
Subtotal - Miscellaneous				\$ 1,328	\$ 1,003	\$ 0	\$ 75	\$ 0	\$ 250
<b>TOTAL 2012 CAPITAL PROGRAM SUBURBAN SERVICES</b>				<b>\$</b>	<b>\$ 32,070</b>	<b>\$ 3,060</b>	<b>\$ 22,000</b>	<b>\$ 42,850</b>	<b>\$ 250</b>
<b>2012 SUBURBAN MARKS</b>				<b>\$</b>	<b>\$ 32,070</b>	<b>\$ 3,060</b>	<b>\$ 22,000</b>	<b>\$ 42,850</b>	<b>\$ 250</b>

**AC – ASSET CONDITION**

B - BACKLOG  
 NR - NORMAL REPLACEMENT  
 CM - CAPITAL MAINTENANCE

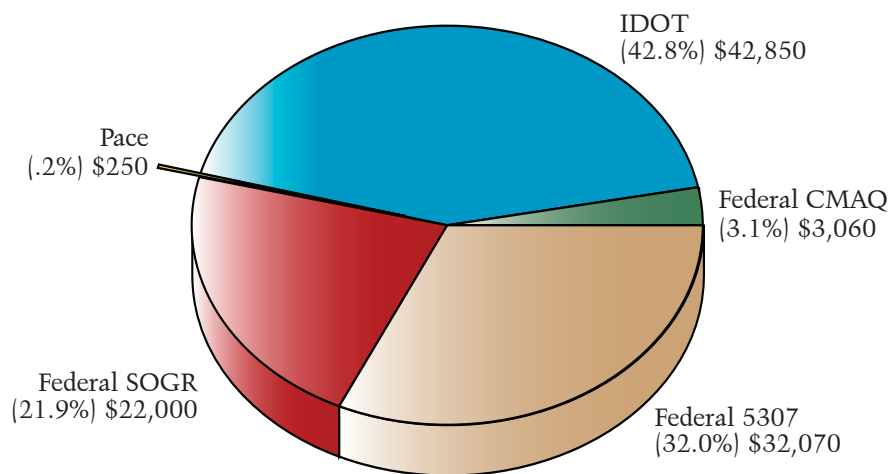
**EC – EVALUATION CRITERIA**

M1 - SAFETY/SECURITY  
 M2 - REGULATORY  
 M3 - STATE OF GOOD REPAIR

**Chart G. 2012 Suburban Services Capital Program—Sources and Uses of Funds**

**Sources (000's)**

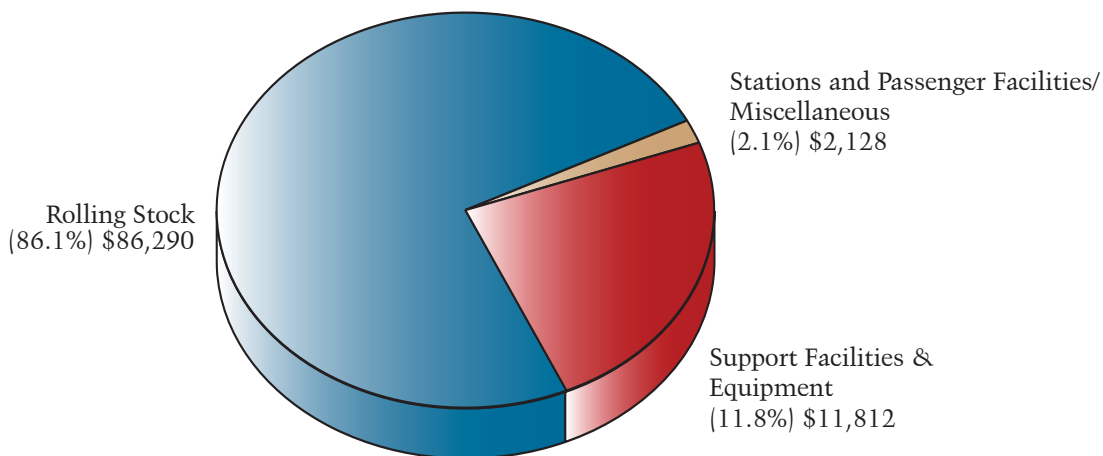
**Total \$100,230**



*57% of Pace's program is expected to be derived from Federal sources*

**Uses (000's)**

**Total \$100,230**



*Over 86% of the 2012 program will be spent on the replacement of rolling stock*

## Capital Funding Sources

The pages that follow explain the typical capital funding sources that are available to Pace.

### Federal Funding

The SAFETEA-LU expired on September 30, 2009. President Obama has signed two extensions of this authorization; the current extension expired on September 30, 2011 and Congress recently extended it to March 31, 2012. House Republicans have proposed a six year reauthorization that would result in cuts in transportation programs of as much as 30% below existing levels. Senate Democrats have proposed a two year authorization at current levels presumably followed by program increases. The administration has proposed dramatic increases in funding as part of the general economic stimulus efforts. With such conflicting proposals and general uncertainty regarding future federal budget levels, the RTA has set a course down the middle. Specifically, the RTA is assuming that federal formula funds will remain at 2011 levels for 2012 and will grow at the rate of inflation, currently estimated at 1.9% per year for 2013-2016.

There are four funding sources—Section 5307 formula funds, Congestion Mitigation and Air Quality (CMAQ), State of Good Repair (SOGR) and Homeland Security discretionary funds which Pace is expected to receive. Certain federal funding programs are allocated to urbanized areas based on statutorily defined formulas. The RTA region receives Section 5307 Urbanized Area Formula funds and Section 5309 (m) (2) (B) Fixed Guideway Modernization funds in this fashion. SAFETEA-LU includes a program, Section 5340 Growing and High Density States, also distributed by formula that will provide monies to northeastern Illinois. All of these formula-based funds are allocated by the RTA to the Service Boards according to the historical distribution of 58% to the CTA, 34% to Metra, and 8% to Pace.

Other federal funds are available to the region on a competitive basis. The RTA, with substantial input from the Service Boards, estimates annual funding levels based on staff analysis of national funding levels, past performance, project readiness and existing legislation. The Section 5309

(m) (2)(A) New Start and Section 5309 (m) (2)(C) Bus and Bus Facility capital funding is earmarked in the federal legislation. However 5309 earmark funds will not be available in 2012. Federal Flexible funds, such as the Congestion Mitigation and Air Quality (CMAQ), and Surface Transportation Program (STP) funds are also sought by the Service Boards through a regional competitive process.

Finally, other federal funds will be made available to the region by formula, but may be allocated among a variety of agencies including, but not limited to, transit operators, on a competitive basis. These programs include the Section 5316 Job Access and Reverse Commute (JARC) Program and Section 5317 New Freedom Program (for services supplemental to ADA requirements). Since projects using funds for these programs will be selected in 2012 based on a competitive selection process being led by the RTA, in cooperation with the Chicago Metropolitan Agency for Planning (CMAP), no funding marks have been proposed at this time by the RTA.

The Section 5339 Alternatives Analysis Program will pay for studies conducted as part of the transportation planning process for the New Starts projects; the funds allocated for the Section 5340 Growing States and High Density States are combined with the Section 5307 formula apportionment for urbanized areas.

Section 5307 apportionment funds are typically used for Pace's overall capital needs (Section 5340 funds are now combined with the Section 5307 funds). Section 5309 (m) (2)(C) discretionary funds, and State of Good Repair federal funding and Homeland Security funding are used for bus and bus related facilities projects as well as security projects. Federal 5309 (m) (2)(A) is for New Starts projects. Congestion Mitigation and Air Quality (CMAQ) funds are typically used for qualifying transit projects such as Pace's Vanpool Program and diesel engine retrofit projects.

The Clean Fuels Program will finance the purchase or lease of clean fuel buses and facilities, as well as the improvement to existing facilities to accommodate clean fuel buses. The Job Access and Reverse Commute (JARC) Program is designed to transport welfare recipients and eligible low-income individuals to and from jobs. Many projects to be funded under the 5309 Bus, 5339 Alternative Analysis and Clean Fuel Programs are earmarked by congressional sponsors.

The Section 5307 and the Section 5309 Fixed Guideway Modernization funds are allocated to the Service Boards on a percentage basis allocation by the RTA. Presently, the allocation is 58% to the CTA, 34% to Metra, and 8% to Pace. This percentage basis allocation has been in place since 1985. The Section 5309 bus funds are discretionary and reflect the levels of funding for projects identified in SAFETEA-LU earmarks. Additionally, the Section 5309 New Starts funding is also discretionary and dependent on Pace's ability to secure congressional earmarks for its projects. It has been the RTA's practice that these funds are considered to be outside the 58%-34%-8% allocation.



*In 2011, Pace purchased ten hybrid buses with Federal TIGGER funds through the State of Illinois.*

## State Funding

State funds historically have been provided to the Service Boards through grants administered by the Illinois Department of Transportation (IDOT) on a discretionary basis. The primary use of the funds has been to satisfy the match requirements associated with federal funds for critical transit projects in the region. Additionally, in 1999, the State provided capital assistance to the RTA in the form of increased RTA bonding authority through the Strategic Capital Improvement Program (SCIP), with annual funding equal to the actual debt service paid by the State.

On April 3, 2009, Governor Pat Quinn signed into law the "Jump Start" capital bill, providing \$900 million to make grants to fund public transportation projects in northeastern Illinois. Of this amount, \$45 million of this funding was allocated to Pace for Regional ADA Paratransit rolling stock and support equipment. The balance of the funding was allocated 58% to the CTA, 34% to Metra and 8% to Pace. Additionally, on July 13, 2009, the Governor signed the "Illinois Jobs Now" capital bill that provided \$1.80 billion for regional transit projects. The legislation allocated 50% of these funds to the CTA, 45% to Metra and 5% to Pace. Pace understands that the \$45 million will likely not be available; therefore, there is no funding for Regional ADA capital needs.

On July 21, 2010, Governor Pat Quinn announced the State's intention to award more than \$500 million of the "Illinois Jobs Now" funds toward mass transit infrastructure statewide. This funding included \$442.70 million for the RTA for capital projects to be implemented by the CTA, Metra and Pace, and was included in the 2011 Capital Program. In addition, over \$889 million was awarded to CTA and Metra in 2011. Nevertheless, there is uncertainty regarding the timing of the availability of the balance of the \$2.70 billion originally appropriated in 2009. A portion of these funds are dependent on bond authorizations that have yet to pass the General Assembly. In addition, sources for debt service on some of the bond funds depend on the new revenues for the State's General Revenue Fund. Encouraged by the release of State Bond Funds this year, the RTA has

decided to include the balance of the full \$2.70 billion State Bond program to be distributed over the remaining three years, 2012-2014.

### **Service Board Funding**

Operational savings achieved by the Service Boards also provide funds for capital investments.

### **RTA Funding**

In 1999, the RTA Act was amended as part of Illinois FIRST legislation. All of these funds (SCIP and RTA bonds) have been programmed to the Service Boards and there has been no new funding since 2004.

The RTA's Capital Marks contain no additional SCIP or RTA Bond funds since there has been no legislation passed to extend the RTA's SCIP or RTA bond programs.

### **Illinois Transportation Development Credits (TDC)**

The Service Boards may propose to exercise the toll revenue credit provision as provided in SAFETEA-LU. The toll revenue credit provision permits states to use certain expenditures of toll revenue as a "credit" toward the required local match for certain federal highway and transit programs. These credits are not actually funds that can be used; rather they are a mechanism to count toll revenues already spent for tollway capital projects as local matching dollars for federal capital funds for transit. These credits are now titled Transportation Development Credits (TDC).



*Emergency concrete repairs were necessary at the Northwest Transportation Center in Schaumburg in 2011.*



*Overhead door replacements are a costly item. Pace completed a project which replaced South Division's overhead doors in 2011.*