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Northeastern Illinois PUBLIC TRANSIT Task Force

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Governors Office

DATE: Wednesday, October 16, 2013

TO: Illinois Governor Pat Quinn

In accordance with Executive Order 13-06, issued on August 15, 2013, George Ranney and I, Ann Schneider, are honored to have the opportunity to serve as co-chairs for the Northeastern Illinois Public Transit Task Force. Each Task Force member has and will continue to devote the time and the effort to ensuring this tremendous task is done right.

To meet the first requirement set forth in the Executive Order, the Task Force presents an interim report for your review and consideration in the potential reform of the northeastern Illinois public transit system.

It is our goal to develop meaningful recommendations to enhance this vital public service that millions of Illinoisans use each day. Our work here is critical, as Illinois strives to improve and strengthen connections among all transportation modes – including transit – to provide Illinois and the nation with a seamless transportation system that is accessible, safe, respects the environment, advances quality of life and empowers our economy.

Sincerely,



Ann L. Schneider
Co-Chair



George Ranney, Jr.
Co-Chair

CO CHAIRS

Ann L. Schneider
George Ranney Jr.

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Task Force established via
Executive Order 13-06





Northeastern Illinois
PUBLIC TRANSIT *Task Force*

October 16, 2013

INTERIM REPORT



Summary

On August 15, 2013, Governor Pat Quinn issued Executive Order 13-06 creating the Northeastern Illinois Public Transit Task Force (Task Force) to address serious concerns regarding the current structure of the northeastern Illinois public transit system. Governor Quinn appointed 15 members to serve on the Task Force.

The Task Force is co-chaired by Illinois Secretary of Transportation Ann L. Schneider and Metropolis Strategies CEO George Ranney. Other members of the Task Force are:

- Carole L. Brown, Managing Director, Barclay's Capital
- Patrick Fitzgerald, Partner, Skadden, Arps, Slate, Meagher & Flom LLP and Affiliates
- Robert W. Guy, Illinois State Legislative Director, United Transportation Union
- Dr. Adrienne M. Holloway, Assistant Professor of Political Science, DePaul University's School of Public Service
- Dr. Sylvia Jenkins, President, Moraine Valley Community College
- Nick Palmer, Chief of Staff, Office of Will County Executive Larry Walsh
- Tony Paulauski, Executive Director, The Arc of Illinois
- Raul I. Raymundo, Executive Director, Resurrection Project
- Robert G. Reiter, Jr., Secretary-Treasurer, Chicago Federation of Labor
- Dr. Ashish Sen, Board Member, Chicago Transit Authority (CTA) Board of Directors
- Donald J. Tantillo, Retired Teacher/Debate Coach
- Kathryn Tholin, CEO, Center for Neighborhood Technology
- Sonia M. Walwyn, Vice President, Duff & Phelps, LLC

Governor Quinn established an ambitious goal for the Task Force:

“...to study, examine and evaluate the Northeastern Illinois Transit Agencies to determine how the operations of these agencies can be reorganized, streamlined or restructured to, among other things, ensure greater efficiency, accountability, coordination and transparency.”

The Governor has asked the Task Force to report to him and the Illinois General Assembly its recommendations for creating a world-class transit system for the region.

The full Task Force has met four times, including a three-hour public hearing where leaders of the Regional Transportation Authority (RTA), and three Service Boards (CTA, Metra, and Pace) submitted testimony and documents in response to questions from the Task Force. The Task Force has compiled and reviewed literature that has permitted it to engage in meaningful discussions and examination of alternatives. Additionally, four working groups were formed and have held meetings and discussions.

A summary of these activities and initial findings are contained in this interim report. In the time remaining before a final report is submitted on January 31, 2014, the Task Force will synthesize the information supplied to date, collect additional information through meetings and other means, distill the information into manageable concepts, and provide specific recommendations for fixing the problems identified.

Initial Findings

Our initial work has shown that our transit system faces many challenges that must be overcome to achieve a world-class transit system that is efficiently, effectively and ethically governed and operated, raises the necessary money and uses it wisely, and provides excellent service and easy access to all of the region's economic centers. Across each finding, it is evident that the northeastern Illinois public transit system is not guided by a strong, clear vision that unites transportation options, creating one interconnected, multimodal system to serve the public.

Portions of the transit system have been plagued by scandal and corruption, to the detriment of the system as a whole. The recent events at Metra demonstrate those responsible for the transit system do not always have the rider's best interest at heart. There is no consistent code of ethics or threat of consequences for board members who act inappropriately. Many board members are appointed without background checks. There are no defined processes for appointing authorities to select board members. Appointments can be made without transparency and there are no minimum requirements of knowledge or experience for board members. Once appointed, board member roles are not clearly delineated and it can be difficult to remove a board member even when there is just cause.

The structure of the current transit system has led to duplication, competition, uncoordinated service, and a lack of accountability. Power and responsibility for the transit system is dispersed among 4 boards with 47 members appointed by 16 elected officials. This makes it very difficult to know who is responsible when the system is not functioning well or when something goes wrong. The present system was created to represent political and geographic constituencies rather than to provide excellent transit service for the region as a whole.

In 2007, the Illinois Auditor General conducted a performance audit on the RTA and three Service Boards. The audit found that the transit agencies did not coordinate routes, implement a universal fare system, or consult each other on new initiatives. The report cited a lack of coordination of contract and procurement functions among the agencies and recommended that the RTA assist the Service Boards in identifying and facilitating opportunities for joint procurements that would result in cost savings and coordinated service delivery. Each agency conducts its own purchasing, advertising, and lobbying. They compete with each other for scarce federal and state dollars. The Auditor General's report called for "an end to the transit agencies fighting each other for customers, routes and federal funding for pet projects that may not fit into an overall regional transit plan." These issues remain as points of concern that will be addressed in our final report.

There is no widely accepted region-wide plan to increase transit ridership. In 1980, 18 percent of all work trips in metropolitan Chicago were on transit. By 2010, that number had declined to 13 percent. Meanwhile, traffic congestion has nearly tripled in the same time period, costing the region more than \$6 billion in 2011 alone. In its comprehensive regional plan, the Chicago Metropolitan Agency for Planning set an ambitious goal for the region to double weekday transit ridership from 2.3 million in 2015 to 4 million in 2040. However, there is no clear, shared regional plan to achieve that goal or to increase transit ridership in general.

Our transit system is not adequately supporting our economy. According to the RTA, only 53 percent of the region's jobs are accessible by transit within 90 minutes. The Brookings Institution puts their number for the region lower - at only 24 percent. A study by the Center for Neighborhood Technology found that four of the region's five largest employment centers are underserved by transit. For those who, by

choice or necessity live without a car, access to the job market is severely limited. Likewise, the region's employers are limited in their pool of candidates by the lack of a more robust transit system.

Needs of both the customers of transit and the communities it serves go unmet or under-delivered. Customers need frequent and reliable transit options, integration of choices both within transit and between modes of transportation and user-friendly service. Communities also need frequent and reliable transit to provide job access and reduce congestion, equitable access to transit, and a shared regional vision to prioritize service and spending. Opportunities for development near transit have been missed.

The funding formulas that distribute money to the transit agencies are due for reexamination. The bulk of the operating funding for transit is distributed to the agencies based on a law put in place 30 years ago, that distributes the revenues received from the sales tax based on where goods were purchased, not according to ridership, population, or need. Legislation enacted in 2008, established an additional tax that was layered on top of the original sales tax and is distributed according to its own formula. The small amount of discretionary funding available causes counterproductive battles over who will get what. Capital funding is distributed according to fixed percentages set by tradition rather than law or regionally prioritized needs.

The territorial nature of the allocation formula has created a divisiveness that splits the region and creates competition. Conversations about transit funding tend to revolve more around the issue of sub-regional equity rather than the creation of a first-class, regional public transportation system. Concerned about maintaining their current level of funding, the Service Boards have argued in favor of keeping the current allocation formula and there is no consensus by the Service Boards on allocating the current discretionary funds. Any effort to revise the current funding formula in a way that harms one or more of the transit agencies is likely to create division in the region.

We are grossly under investing in our transit system. The RTA reports that the transit system requires \$31.1 billion to achieve a state of good repair, including a backlog of \$18.7 billion in already past due projects. The Chaddick Institute puts the estimate of need at \$2 billion a year. The transit agencies receive capital from the federal government each year. Governor Quinn and the Illinois General Assembly provided sorely needed capital funding through Illinois Jobs Now, which made almost \$1.8 billion in investments between 2009 and today in northeastern Illinois public transit systems, but it was the first capital investment program in over a decade, and there is no consistent local source of capital. According to the RTA, in 2011 the funding available covered only 5.2 percent of the region's capital needs.

Operating resources come from a maze of sources including local sales taxes, state matches, federal formulas, discretionary programs, and in the case of the CTA, real estate transfer taxes. Debt availability and structures are not consistent amongst the boards. Despite the clear underinvestment in the transit system, a perception of waste, inefficiency and scandal, undermines the case for increasing transit funding.

Working Groups

To fully explore these challenges and develop recommendations to achieve a world class transit system, the Task Force has formed four working groups as listed below:

Governance – Dr. Ashish Sen (Chair), Nick Palmer

Ethics – Patrick Fitzgerald (Chair), Robert Guy, Dr. Sylvia Jenkins, Donald Tantillo

Finance – Carole Brown (Chair), Kathryn Tholin, Sonia Walwyn

System Performance – Kathy Tholin (Chair), Dr. Adrienne Holloway, Tony Paulauski, Raul Raymundo, Robert Reiter, Jr., Ashish Sen

Each working group has identified priority areas for attention, obtained information and considered if they are ready to make any recommendations for this interim report. Their work has involved interviews with local transit officials, review of relevant reports and documents, and examination of the structure, practices, and policies of other transit agencies. Various groups have had conversations with some of the foremost transit experts in the nation.

Governance

The Governance Working Group is focused on exploring the effectiveness of the four-board structure currently in place that governs our transit system. In the present structure, authority, responsibility, and accountability for the transit system are highly dispersed. The working group is committed to making recommendations to create a governing structure that will provide our region with the best possible results.

Through a series of meetings and discussions with subject matter experts, along with a review of relevant literature, the working group has begun its examination of system governance by exploring both the characteristics of individual boards and their overall governing structure. Issues relating to board make-up have included board member pay, composition, qualifications, and removal processes. A preliminary review has shown that transit board pay and composition vary widely. The RTA and Service Boards receive an annual salary ranging from \$10,000 (Pace) to \$25,000 (RTA). Trustees of smaller transit systems in the state receive \$100 for each day engaged in the work of the board, not to exceed \$400 per month. A preliminary survey of six of the largest transit agencies in the country revealed that no other boards receive compensation. Board composition also varies in background and in the number of members, ranging from seven at the CTA to sixteen at the RTA. For example, most board members cannot hold office, but Pace board members must be mayors or former mayors.

The review of system governance has begun with an initial evaluation of the structure and organization of other multimodal, multijurisdictional transit systems that could serve as a model for northeastern Illinois. The working group's initial findings have shown that while the structure of our transit governance system is unique, the challenges we face are not. As we complete the final report, we will learn from other regions and determine what lessons can be successfully applied here to create a transit system that produces the best results for the riders, the economy, and the region.

Ethics

The Ethics Working Group is focusing on issues that are at the very core of the public's faith (or lack thereof) in the region's transit system. The group is undertaking an exhaustive analysis of reports, documents and written testimony provided (and to be provided) to the Task Force, and exploring issues of ethics, patronage culture, conflicts of interest, lobbying, and Board Member appointment, and removal.

As the Ethics Working Group moves toward the January 31, 2014 deadline, further research and analysis will be conducted to assist the group in developing its recommendations for the final report. In addition, the group will coordinate closely with the Governance Working Group on overlapping issues. The group is committed to making recommendations that will increase transparency, establish accountability and work to restore the public's trust.

Finance

The Finance Working Group is focused on evaluating the methodology for funding transit in northeast Illinois, and assessing the adequacy of funding levels. It is clear that current funding levels do not meet the operating and capital needs of the system, and the current process of allocating funding by formula does not support a coordinated, regional approach to ensuring a world-class system.

During meetings and through testimony from Service Board finance personnel, the group has explored a number of issues that will factor into final recommendations. For example, the effectiveness of the structure of the northeastern Illinois transit system has recently been called into question and critics contend that administrative consolidation will lead to money savings and a more effective transit system. The 2007 Illinois Auditor General performance audit found that the RTA's strategic plan was insufficient and that more centralized planning and control was needed, including a long-term plan that would encompass financial, programmatic, and operational aspects of the Service Boards and the RTA. Other issues of merit include operating and capital resources, allocations formulas, measures to streamline distribution of funds, debt, options for increasing revenue, and local revenue sources.

As the Finance Working Group moves toward the final report deadline, further research and analysis will be conducted to better understand and expand on information gathered to date, as well as explore issues such as fare structure, state of good repair, capital planning, system expansion and financing pensions for employees.

Ultimately, the group's work will be synthesized with recommendations of the full Task Force, to ensure that proposed funding and resource allocation models are aligned with any proposed governance structure and other aspects of a robust, regional transit system.

System Performance

The System Performance Working Group is diligently examining the various methods of performance management and goal setting among the four agencies. In the northeastern Illinois region, public transportation is provided via multiple options operated by three different service providers. For many users, a public transportation trip includes the use of one or more of the various mode choices. System performance is a vital component of creating and sustaining a world-class transit system and the working group is determined to make recommendations that will help build an interconnected, regional public transit system that operates effectively and will meet the needs of the customer and the community.

The working group has begun compiling and examining relevant literature, which has helped the appointees in acquiring knowledge of the four agencies. It has conducted organizational and public meetings and a public hearing that included testimony from the RTA, CTA, Metra, Pace, and the Chicago Metropolitan Agency for Planning (CMAP). Through the testimony and initial research, the working group recognizes the importance of a shared regional vision that focuses on customer needs, maximizes

the benefits of transit for both the rider and the community, and operates effectively and efficiently to provide seamless, interconnected transportation for all users. The current structure of the transit system can make it difficult to implement effective, coordinated service among the various modes. Instead, each transit agency is optimizing its own objectives, with little or no coordinated focus on improving the system as a whole. Within the current structure, the RTA should be fulfilling this role.

In preparation for the final report, the working group plans to synthesize the compiled literature and continue to investigate how often the different transit operators meet to discuss coordinated service planning, prioritization of project funding and region-wide initiatives, as well as whether or not there are any systemwide processes for implementing the outcomes of those meetings. The group would also like to better understand how regional equity is monitored, discussed, and achieved in terms of route and service planning in order to realize an equitable “level of service” to the customer, as well as facilitate job access across each mode’s service area. Service expansion, economic development, open fare collection system opportunities, service equity, and relationships with metropolitan planning organizations will all be further researched and examined.

Finally, in order to get a broader perspective on how system performance measure goal-setting has been adopted and used by other major metropolitan areas, the working group will be contacting representatives from transit agencies in Boston, New York, Washington D.C., and San Francisco. These agencies were recommended to the working group because each operation involves multiple modes with an overall oversight authority. In addition, Boston and New York also represent once-fractured transit systems that consolidated their operational and governance structures.

Each of these agencies will be asked to describe the actions, policies or procedures that are in place, either formally or informally, to address various quantitative and qualitative performance measurement criteria. The results of this information gathering will then be discussed at future System Performance Working Group meetings to develop conceptual system performance goals for the region that can then be brought to the full Task Force for consideration.

Conclusion

Although we have divided these topics into working groups for ease of review, we are cognizant of the fact that they are closely intertwined and must be viewed holistically. Due to the Task Force’s desire to ensure that any recommendations are part of a complete and comprehensive solution, we have chosen to refrain from making preliminary recommendations at this time.

As we look ahead to completing our assignment by January 31, we will do additional research and seek additional information including testimony from and conversations with transit experts to ensure any recommendations we make are grounded in sound analysis and designed to best achieve the goal of providing a world-class transit system.

Finally, we recognize that northeastern Illinois would not have the transit system it has today if the region had not adopted resources to support transit when it created the RTA in 1974. This would be a poorer and much less vibrant place without the transit system we have. But the system has not kept up with the region’s changing needs, and there are other major metropolitan regions that are doing better. We can too.