Agenda

– What Is the challenge?
– Why act now?

– A Financially Sustainable Future
  • Sustain our efficiency
  • Implement new models of public transit service
  • Update liability regulations to reflect public rather than private ownership
What is the challenge? Uncertainty

– Pace’s financial sustainability depends on a few key factors, including:
  • Future growth rate of costs: wages, benefits, fuel, etc.
  • Service and fare policies
  • Efficiency
  • Sales tax

– One of the most crucial factors – sales tax – is uncertain
What is the challenge? Uncertainty

- The financial plan is subject to uncertainties regarding future growth rates for costs and revenues.
- The growth in sales tax will dramatically affect Pace’s financial future, but cannot be perfectly predicted.
- Our best estimate at future sales taxes is the blue (mid) line at left:
  - Based on a forecast of sales tax receipts tailored to the RTA six-county region from Moody’s Economy.com.
  - This estimate is broadly consistent with RTA.
Sustain our efficiency

– Pace is already efficient compared to peers. Pace is in line with, or above average on a wide variety of measures, including:

  • Operating costs
  • Staffing and management levels
  • Wages and benefits
  • Service-efficiency

<table>
<thead>
<tr>
<th>COST EFFICIENCY</th>
<th>2004 OAG</th>
<th>2007</th>
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</thead>
<tbody>
<tr>
<td>Operating Cost per Vehicle-Hour</td>
<td>Better than Peers</td>
<td>Better than Peers</td>
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<tr>
<td>Operating Cost per Vehicle-Mile</td>
<td>Better than Peers</td>
<td>Better than Peers</td>
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<tr>
<td>Vehicle Operations Cost per Vehicle-Hour</td>
<td>Better than Peers</td>
<td>Better than Peers</td>
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<tr>
<td>Operators’ Wages per Vehicle-Hour</td>
<td>Better than Peers</td>
<td>Better than Peers</td>
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<tr>
<td>Fringe Benefits per Vehicle-Hour</td>
<td>Better than Peers</td>
<td>Better than Peers</td>
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<tr>
<td>Vehicle Maintenance Cost per Vehicle-Hour</td>
<td>Better than Peers</td>
<td>Better than Peers</td>
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<tr>
<td>Vehicle Maintenance Work Hours per Veh-Mile</td>
<td>Better than Peers</td>
<td>Better than Peers</td>
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<tr>
<td>Parts per Vehicle Mile</td>
<td>Better than Peers</td>
<td>Better than Peers</td>
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<tr>
<td>Miles Between Major Service Disruptions</td>
<td>Better than Peers</td>
<td>Equal to Peers</td>
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<tr>
<td>Fringe Benefits as a Percent of Salaries</td>
<td>Equal to Peers</td>
<td>Equal to Peers</td>
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<tr>
<td>Fuel and Lubricants per Vehicle Hour</td>
<td>Equal to Peers</td>
<td>Equal to Peers</td>
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<tr>
<td>Platform Time to Total Compensated Time</td>
<td>Equal to Peers</td>
<td>Better than Peers</td>
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<tr>
<td>Platform Time to Total Operating Time</td>
<td>Equal to Peers</td>
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</tr>
<tr>
<td>General Adm. Work Hours per 100 Veh-Hrs</td>
<td>Equal to Peers</td>
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</tbody>
</table>
Efficiencies alone cannot achieve a financially sustainable future

- Pace operating costs are relatively low
- The efficiencies identified are small compared to the long-term gap

Policy changes are necessary
## Match Our Transit Service to Our Transit Market

- Transform the bus network:
  - Where fixed route service is warranted, improve bus service
  - Where fixed route service is not warranted, substitute other models

- Fixed route services are divided into tiers, and treated with different policies:

<table>
<thead>
<tr>
<th>Service Tier</th>
<th>Service Attributes</th>
<th>Role in Pace Network</th>
<th>Service Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core</td>
<td>Major regional corridors, Higher frequency, Long routes (&gt;5 miles), Higher speeds, Express services</td>
<td>Structural core, Cost-effectively carries the majority of riders, Drives overall network success, Regional connectivity</td>
<td>Preserved or restructured based on market conditions, Priority for additional investment (ART)</td>
</tr>
<tr>
<td>Community</td>
<td>Service within a community, circulators, Dial-a-Rides, Shorter routes (&lt;5 miles), Metra Feeders</td>
<td>Address local mobility and circulation, Access to regional network</td>
<td>Substitute flexible services, Candidate for local funding, Blend of traditional and innovative service options</td>
</tr>
</tbody>
</table>
Match Our Transit Service to Our Transit Market

— Where ridership and development density warrant:
  • Invest in ART
  • Streamline fixed routes to increase speed and directness

— Where transit service is warranted, but where fixed route buses do not make sense:
  • Expand flexible, demand-responsive services
  • West Joliet Call-n-Ride (Route 510) has successfully substituted a different service model for fixed route service
    ▪ Call-in feature creates a flexible interaction between driver and passenger
  • Explore lower-cost, innovative services: vanpools, vanpool hitchhiking, slug lines, taxi service franchises

Change the “portfolio” of Pace services
Charge fares that reflect the value of the trip

- Pace currently charges a relatively flat fare, even though:
  - Travel markets differ dramatically, with trip lengths 2 - 35 miles
  - On a distance-traveled basis, Pace fares are low relative to peers
- Differentiate the fare based on how passengers use the service, and the value they receive
- Install account-based, smart card fare collection technology
- Charge fares based on passenger trip length and premium speed
Charge fares that reflect the value of the trip

— This study suggests a differentiated fare structure based on the value each route provides to the customer
  • Essentially a distance-based approach, based on how passengers use the system

— This approach:
  • Generates additional revenue
  • Supports equity
Charge Fares That Reflect the Value of the Trip

- A new fare policy would be supported by new “tag-on, tag-off” fare technology
- New fare technology can also help Pace meet other goals, such as:
  - Encouraging partnerships
  - Speeding service
  - Enhancing customer service
  - Reducing operating costs relative to cash
- Adopt a hybrid account-based smart card system with an “open platform”
  - Short trip fare differentiation can be accommodated through a tag-on, tag-off smart card based fare system
  - Smart card readers can be placed at the front and rear doors to allow customers easy access to tag-on and to tag-off
Update public transit liability environment

- Currently liability responsibilities reflect public transit legacy as a private, for-profit service
- Current liability and insurance expenses average 22 cents of every dollar paid in fare
- Liability expenses grow at an unsustainable 5.8% growth rate.
- Risk has grown significantly with the free fare policies enacted in recent years.
- Existing Pace safety policies produced a 15 month record of reduced accidents
Summary

- Expenses grow faster than revenues
- Restructure existing service and increase speed
- Match service to markets
- Implement new service models
- Implement a fare system that matches value of trip
- Bring liability environment into line with public transit as a public service—not a private, for-profit product