Regional Transportation Authority
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November 8, 2017

Dorval Carter
President, Chicago Transit Authority
567 West Lake Street
Chicago, Illinois 60661

Re: Preliminary 2018 CTA Budget Submission

Dear President Carter:

In the preliminary 2018 operating budget submitted to the RTA on October 23rd, CTA identified additional operating revenue required to balance the budget, but did not offer clearly identifiable and reliable revenue streams that close the budget gap. As required by section 4.11(b)(2) of the RTA Act, one of the criteria for budget adoption by the RTA Board is that the budget be based on reasonable and prudent assumptions. In the absence of clearer definition of potential revenue streams by CTA in its final submission, it is likely that the RTA Board would not approve CTA's 2018 operating budget in its current form because of this criteria.

As you are well aware, actions taken in the State FY 2018 budget (a permanent 2% sales tax surcharge and a SFY 2018 10% reduction in Public Transportation Funds), combined with slowing sales tax growth, have resulted in a 3% overall reduction in Service Board operations funding in 2018. These funding reductions are substantial, and for CTA alone exceed $30 million. In order to maintain desired service levels, Metra and Pace have both submitted proposed 2018 budgets which contain necessary fare increases to offset their funding reductions and balance with their required expense levels. We recognize and commend CTA's extensive and successful efforts to contain operating expenses in recent years. However, if CTA service levels are to be preserved, the time has come for stronger system-generated revenue.

We understand that the proposed ride-sharing services fee may be part of the solution, but because it is a new revenue source it may not generate sufficient revenue to resolve CTA's budget gap. Moreover, the stated plan is to dedicate this revenue to capital. While investment in capital is critical, CTA needs to address the operating deficit at this time. Over the last few budget cycles the RTA Board has expressed concerns that, unlike other major urban transit agencies, CTA has not raised its base fare since 2009. Fare increases, while onerous, are the most reliable way to generate revenue and achieve the CTA and regional recovery ratios. As such, the RTA strongly encourages CTA to implement a fare increase for 2018 sufficient to bring the preliminary operating budget into balance.

The RTA Act requires the Service Boards to produce balanced budgets that conform to their RTA Board adopted funding levels and recovery ratios so that the RTA region meets its statutory 50% recovery ratio. The RTA Board cannot adopt a regional budget which fails to meet the required recovery ratio, and the absence of an adopted budget after February 1st would trigger withholding of 25% of Service Board operating funding as required by section 4.11(b)(4) of the Act. This equates to an annual reduction of approximately $360 million of regional transit funding, resulting in immediate service disruptions. None of us wants to go down that path.

As always, my staff and I stand ready to discuss the 2018 budget situation and potential solutions with you.

Sincerely,

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