Section 2

Continuing and Emerging Issues

Contents

I. Introduction- Continuing and emerging Issues

During the course of the next five years, OCTA endeavors to predict trends that may affect the accomplishment of the mission and vision of the organization. Where trends have a potential to become risks, OCTA mitigates those risks by preparing action plans to minimize their affect. This section describes key trends that will potentially affect OCTA.

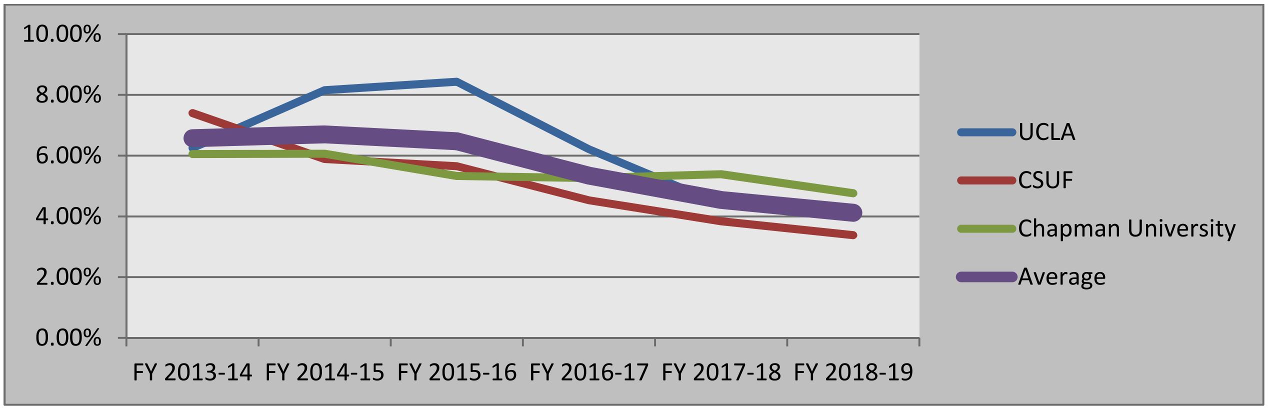
II. OCTA Revenues

In developing the annual OCTA budget, OCTA forecasts the sales tax growth rate based on an average growth rate from three universities' forecasts. The growth rate is used to calculate the anticipated Local Transportation Fund (LTF) and Local Transportation Authority (LTA), also known as the Measure M2, fund sales tax. Please see pages 228-232 for definitions of LTF and LTA. The forecasting universities are:

- University of California, Los Angeles (UCLA)
- California State University, Fullerton (CSUF)
- Chapman University, Orange

Based on the average from these three local universities, it is expected that the Orange County economy will grow for the next several years. Given this information, OCTA expects funds from LTF and LTA, to increase through FY 2018–2019. The three university forecasts and the average forecast OCTA uses are shown in the table and graph below.

UNIVERSITY	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
UCLA	6.25%	8.15%	8.43%	6.21%	4.39%	4.24%
CSUF	7.40%	5.89%	5.65%	4.53%	3.84%	3.38%
Chapman University	6.05%	6.06%	5.33%	5.26%	5.39%	4.76%
Average	6.57%	6.70%	6.47%	5.34%	4.54%	4.12%



A. Budget Assumptions and Targets FY 2014-2015

1. Sales Tax Revenue Growth Rate

The blended rate for FY 2014-2015 from the three universities forecast is 6.70 percent. However, the actual growth rate OCTA is experiencing is 5.98 percent overall. OCTA's projection for LTA is 5.5 percent, and the projection for LTF and the State Transit Assistance (STA) funding is 3.0 percent. The proposed budget is:

- LTA – FY 2014-2015 Proposed Budget of $295.5 million
- LTF – FY 2014-2015 Proposed Budget of $136.5 million
- STA – FY 2014-2015 Proposed Budget of $18.1 million

These numbers represent an estimated decrease of $9 million compared to FY 2013-14 Budget.

2. Farebox Revenue

Farebox revenues are derived from passenger fares generated from fixed-route bus service and paratransit service, including senior and disabled fare subsidies. The proposed budget is:

- FY 2014-15 budget of $62.2 million. This number is an estimated increase of $1.1 million compared to the FY 2013-2014 budget.

3. 91 Express Lanes Revenue

The SR-91 Toll Road Fund is an enterprise fund that supports the operational and capital functions of the 91 Express Lanes.

- FY 2014-2015 budget of $41.5 million. Number is an estimated increase of $3.3 million compared to FY 2013-2014 approved budget.

III. Transportation Funding Uncertainties

Forecasting available transit revenues has been increasingly difficult due to the lack of a longer-term federal transportation act, reliance on the state's budget process to determine State Transit Assistance funding levels, and fluctuating sales tax revenues.

The variables include unemployment, taxable sales, and availability of federal/state transit revenues. The following trends will need to be addressed accordingly throughout the next five years.

A. California Funding for Transportation Trends

1. Gasoline Excise Tax

"The California excise tax on gasoline is 39.50¢ per gallon, the highest gas taxes in the country. California's excise tax on gasoline is ranked #1 out of the 50 states. The California gas tax is included in the pump price at all gas stations in California.

In March 2013, the State Board of Equalization approved raising the excise tax for gasoline to 39.5 cents a gallon, a 3.5-cent increase which took effect statewide July 1, 2013. The excise tax is the byproduct of laws, signed by former Gov. Arnold Schwarzenegger in 2010, that created a new tax structure for gasoline and mandated that the Board adjust the state gas excise tax rate by March 1 of each year.

The new tax structure (known as the "gas tax swap") eliminated the general fund portion of the sales and use tax on motor vehicle fuel and raised the excise tax. The change was proposed when the state sales tax rate was reduced in 2010, and the Schwarzenegger administration was looking for ways to free up money to balance the state budget.

The swap was designed to ensure that state taxes consumers pay at the pump remain the same as they would have been under the previous tax structure, however, by changing the tax from a sales tax to an excise tax the state government nullified laws reserving most of the gas-pump sales tax for transit agencies. Officials claimed this move would free up hundreds of millions of dollars for the state general fund. The plan for the excise tax would be to increase it annually for 10 years. "[1]

Under the old tax structure, a consumer paying $4.45 a gallon at the pump paid $3.96 for fuel, 18 cents in excise tax and 31 cents in sales tax, which would have gone to transit agencies. Under the current structure, the same $4.45 for a gallon of gas breaks down this way: $3.96 for fuel, 39.5 cents in excise tax, which goes to state transit projects, and 10 cents in sales tax.

Gasoline sales tax revenue funds local government programs; the state excise tax on gasoline funds highway and mass transit projects throughout California.

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[1] http://www.huffingtonpost.com/2013/03/01/california-gas-tax_n_2788918.html

a) Transportation Development Act (TDA)

Due to the gas tax swap, sales tax on a gallon of gasoline has been reduced by approximately two thirds. In 2012 and 2013, the state continued to fund transportation and transit programs at traditional levels. However, that could change in the future. Under the Transportation Development Act (TDA) of 1971, the law provides funding to be allocated to transit and non-transit related purposes that comply with regional transportation plans. The TDA provides two funding sources:

1. **Local Transportation Fund (LTF)**, which is derived from a ¼ cent of the general sales tax collected statewide.

2. **State Transit Assistance Fund (STAF)**, which is derived from sales taxes on gasoline and use taxes on diesel fuel.

The State Board of Equalization, based on sales tax collected in each county, returns the general sales tax revenues to each county's LTF. The STAF funds are appropriated by the Legislature to the State Controller's Office. That Office then allocates the tax revenue, by formula, to planning agencies and other selected agencies. Statute requires that 50 percent of STAF funds be allocated according to population and 50 percent be allocated according to operator revenues from the prior fiscal year.

Approximately 25 percent of OCTA's revenue is received from local sources of which LTF and STAF are the major contributions. LTF and STAF funds contribute to:

- planning and program activities
- pedestrian and bicycle facilities
- community transit services
- public transportation
- bus and rail projects

"STAF funds received by the TDA for Orange County was:

- FY 2011/2012 $22,436,083
- FY 2012/2013 $26,415,198"[2]

STAF funding is important to OCTA as other funding programs such as Proposition 1B reach their conclusions. As state debt continues to mount, it is a possibility that the state may transfer and shift funding responsibilities to the local level. In order to combat the loss of revenue to the local level, two propositions were approved, California Proposition 22 and California Proposition 26.

[2] Transportation Development Act, April 2013, pg. 177

b) California Proposition 22

In response to the state changing the tax structure for gas with the potential of keeping the revenues to pay the California government debt, California Proposition 22, Ban on State Borrowing from Local Governments (2010) was approved. Officially known as: California Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, was on the November 2, 2010 ballot in California as an initiated constitutional amendment, where it was approved.

The language of the proposition is meant to protect existing funds that are allocated to local government, public safety, and transportation. The initiative would prohibit the state from accessing these funds. Under the proposal, the state would not be allowed to take:

- Revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes, and sales taxes. These local taxpayer dollars are dedicated to cities, counties, special districts, and redevelopment agencies and are used to fund public safety, emergency response, and other local government services.

- Local public transit and transportation funds, including funds from Proposition 42 gas tax, Highway Users Tax Account gas tax.

c) California Proposition 26

California Proposition 26 provides for a supermajority vote to Pass New Taxes and Fees (2010), was passed in November 2010, and requires a two-thirds supermajority vote in the California State Legislature to pass many fees levies, charges and tax revenue allocations. Also known as the "Stop Hidden Taxes" initiative, it prohibits politicians from using loopholes to raise even more taxes by disguising them as fees.

Since November 2010, the "state continued to fund transportation and transit programs at traditional levels. However, the road ahead may contain some reasons for caution in projecting future revenue levels."[3]

d) OCTA Legislative Platform Recommendations

- Support efforts to maintain and protect transportation and transit funding and distribution formulas approved under the gas tax swap.

- Advocate for a continued strong state role in providing funding for transit operations rather than shifting responsibility to local transportation entities. No additional requirements should be created for operation levels beyond existing capacity, unless agreed to by that entity or otherwise appropriately funded.

- Oppose efforts to divert or reclassify transportation revenue sources, including General Fund purposes

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[3] OCTA State Legislative Platform 2013-2014, pg. 1

2. California Proposition 1B Funding

Proposition 1B funding authorized the state to sell about $20 billion of general obligation bonds to fund transportation projects to relieve congestion, improve the movement of goods, improve air quality, and enhance the safety and security of the transportation system. The following are other programs falling under Prop 1B:

- **Corridor Mobility Improvement Account (CMIA):** A $4.5 billion allocation for performance improvements on the state highway system or major access routes to the state highway system.

- **Highway-Railroad Crossing Safety Account (HRCSA):** Provides $250 million for the completion of high-priority grade separation and railroad crossing safety improvements.

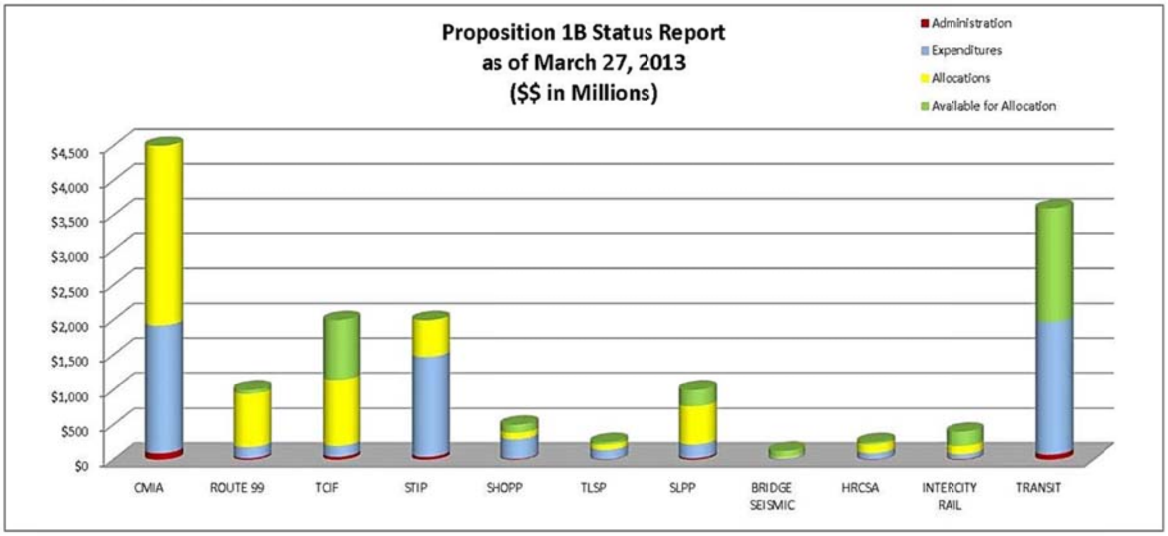
- **State-Local Partnership Program (SLPP):** A $1.0 billion allocation by the California Transportation Commission over a five-year period to eligible transportation projects nominated by an applicant transportation agency. The Bond Act required a dollar for dollar match of local funds for an applicant agency to receive state funds under the program.

- **Trade Corridor Improvement Fund (TCIF):** Provides $2 billion, for infrastructure improvements along federally designated "Trade Corridors of National Significance" in this state or along other corridors within this state that have a high volume of freight movement.

- **Traffic Light Synchronization Program (TLSP):** A $250 million program to fund traffic light synchronization projects and other technology-based improvements to improve safety, operations and the effective capacity of local streets and roads.

- **State Transportation Improvement Program (STIP):** The STIP is a multi-year capital improvement program of transportation projects on and off the State Highway System, funded with revenues from the Transportation Investment Fund and other funding sources. STIP programming generally occurs every two years.

California Department of Transportation
Division of Transportation Programming



PROGRAM	CMIA	ROUTE 99	TCIF	STIP	SHOPP	TLSP	SLPP	BRIDGE SEISMIC	HRCSA	INTERCITY RAIL	TRANSIT	TOTAL
Authorized by Prop 1B	$4,500	$1,000	$2,000	$2,000	$500	$250	$1,000	$125	$250	$400	$3,600	$15,625
Administration (2%)	$90	$20	$40	$40	$10	$5	$20	$2	$5	$8	$72	$312
Available for Allocation	$4,410	$980	$1,960	$1,960	$490	$245	$980	$123	$245	$392	$3,528	$15,313
Allocations (as of 3/5/13)	$4,410	$926	$1,097	$1,957	$374	$212	$746	$33	$213	$189	$1,899	$12,056
Expenditures (as of 2/28/13)	$1,833	$160	$158	$1,433	$283	$136	$199	$23	$88	$71	$1,899	$6,284

Data as of 3/27/2013
Printed on 4/3/2013

As of March 2013, the California Department of Transportation reports that roughly 77 percent of funds authorized by Prop 1B have been allocated. Many of these programs will reach their conclusion soon. Alternate sources of funding will need to be developed to replace this funding stream as it runs out.

a) OCTA Legislative Platform Recommendations

- Flexibility should be included in any state transit funding source, allowing transit operators to use the funding for both operations and capital expenditures.

- Support legislation to implement the provisions of MAP-21 in an equitable manner that promotes traditional funding levels, programming roles, and local discretion in allocation decisions.

B. Federal Funding Trends

1. Moving Ahead for Progress in the 21st Century Act (MAP-21)

"On July 6, 2012, President Obama signed Public Law 112-141, Moving Ahead for Progress in the 21st Century (MAP-21) which authorizes surface transportation funding for federal fiscal years 2013 and 2014. However, MAP-21 lacks the firewalls from previous transportation authorization legislation. In the past, these firewalls required the annual appropriation of all authorized amounts from the Highway Trust Fund. Therefore, the annual appropriations process will continue to play a role in the OCTA federal legislative platform and OCTA will continue to advocate for the largest possible annual appropriations to implement MAP-21."[4]

OCTA receives funding under the Formula Programs, Section 5307-Urbanized Area Formula Capital Grant Program, and Section 5309 - Discretionary Capital Grant Program: The transit capital investment program (49 U.S.C. 5309) provides capital assistance for three primary activities:

- New fixed guideway systems: (New Starts Program and Small Starts)
- New and replacement buses and facilities: (Bus and Bus Related Facilities Program)
- Modernization of existing rail systems

a) OCTA Legislative Platform Recommendations

With the passage of MAP-21, OCTA efforts will focus on regulatory implementation of this legislation and on possible additional legislation to compliment the programs and provisions set out in MAP-21. OCTA will advocate for the following issues:

- Advocate for a fair and equitable distribution of MAP-21 funding to OCTA from the State of California in accordance with any agreed-upon statewide administrative plan or enacted state legislation.

- Upon definition and approval by the Board, seek support from the Federal Transit Administration and Orange County Congressional Delegation for any fixed guideway transit projects approved for implementation by the Go Local process.

- Pursue eligibility of Congestion Mitigation Air Quality (CMAQ) program funding for at least three years of operating expenses associated with any new start fixed guideway projects in Orange County.

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[4] OCTA Federal Legislative Platform 2013-2104, pg. 1

- Support environmental process improvements and stewardship efforts by the relevant federal agencies to expedite project delivery and accelerate the creation of jobs, in accordance with MAP-21 and OCTA Breaking Down Barriers, which was approved by the Board on March 28, 2011.

- Support expedited federal review and payments to local agencies and their contractors for project development, right-of-way acquisition, and construction activities, in accordance with MAP-21 and OCTA Breaking Down Barriers, which was approved by the Board on March 28, 2011.

2. Goods Movement

More and more, the movement of freight affects us all. Making efficient, reliable, and safe transportation of goods critical to the County's mobility and continued economic growth. "The twin Ports of Los Angeles and Long Beach, while still considered "America's Gateway," and the nation's busiest ports, have both suffered significant fluctuations in volume because of the volatility of the worldwide economy. The ports are not expected to fully recover from the downturn for many years. Even with this forecast, the maintenance and improvement of our region's goods movement infrastructure must continue to be a priority if our region is to remain competitive with the rest of the world and be responsive to the consumer needs of the nearly 18 million people living in Southern California."[5] By recognizing the significance of goods movement and the challenges facing the region, OCTA will continue to support comprehensive regional planning efforts that lead to investments and operational improvements that keep people, freight, and economy moving.

[5] OCTA Federal Legislative Platform 2013-2104, pg. 4-5

IV. Population and Employment

As the Metropolitan Planning Organization the Southern California Association of Governments (SCAG) covers a six county region, including Orange County. According to SCAG, Orange County's population is projected to increase by 13.48 percent between 2000 and 2020. The population projection for the six counties SCAG represents is 31.5 percent. This is an increase of 385,400 people in Orange County and 5,353,000 for all six counties.

It is also "projected that there will be nearly 720,000 people over the age of 60 living in Orange County in the year 2020, a 64 percent increase from 2005. It is further projected that 60,735 of these will be over 85. Orange County's 838,000 baby boomers began turning 65 in 2011."[6] This aging population will further stress OCTA's ACCESS transit program.

The employment forecasts have a positive trend as well. According to the Employment Development Department (EDD)[7] of the State of California, total non-farm employment in Orange County is projected to add 189,000 jobs by 2020.

The population increase and a recovering economy will lead to further growth strains to the transportation system, increasing the impact on freeways, local streets, intersections, and railways.

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[6] http://www.ocgrandjury.org/pdfs/agingorangecounty/agingorangecounty.pdf
[7] State of California Employment Development Department, employment estimates 2013

V. Regulatory Requirements

A. Environmental, Sustainable Communities, and Climate Protection Constraints

In California and more recently throughout the world, air pollution and water quality has increasingly become an environmental issue. Air and water pollution regulations have become increasingly stringent and onerous on California businesses and taxpayers in recent years. California legislators are now especially concerned about the health effects of diesel particulate matter (dpm). This has made the siting of warehouses, logistics facilities and other industrial uses, which generate substantial truck traffic, increasingly problematic to environmentalists, due to a perceived potential for health risk exposure to nearby residential neighborhoods, hospitals, and other alleged sensitive receptors. Despite solid arguments against manmade global warming and carbon dioxide as a greenhouse gas, and the vast improvements in gasoline engines and especially in clean diesel engine technology the State of California adopted, several regulations Southern California must comply with, including:

1. California's AB32 (Global Warming Solutions Act)

"In 2006, the Legislature passed Assembly Bill 32, the Global Warming Solutions Act of 2006, which set the 2020 greenhouse gas emissions reduction goal into law. It directed the California Air Resources Board (ARB) to begin developing discrete early actions to reduce greenhouse gases while also preparing a scoping plan to identify how best to reach the 2020 limit."[8]

2. California's Sustainable Communities and Climate Protection Act, Senate Bill (SB) 375

"Sustainable Communities requires the California Air Resources Board (CARB) to develop regional greenhouse gas emission reduction targets for passenger vehicles. The CARB is to establish targets for 2020 and 2035 for each region covered by one of the State's 18 metropolitan planning organizations (MPOs). Each of California's MPOs then prepares a "sustainable communities strategy (SCS)" that demonstrates how the region will meet its greenhouse gas reduction target through integrated land use, housing and transportation planning. Once adopted by the MPO, the SCS will be incorporated into that region's federally enforceable regional transportation plan (RTP)."[9]

"In 2013-14, the CARB will undertake several large endeavors, including revising the Scoping Plan to ensure the state is on track to meet the statewide 2020 greenhouse gas emission reduction target, administering the first auctions for the cap-and-trade system for greenhouse gas emissions, and potentially revising the SB 375 targets. Within each of these efforts, transportation stakeholders must be at the table to ensure that any guidance, revisions or allocations of revenue allow for feasible emission reductions to occur, without further burdening already stressed operating systems. "[10]

"Furthermore, as the state seeks methods of creating economic stimulus through streamlined regulatory processes, focus is likely to be on the environmental review process and possible revisions that will allow for additional expediency in project delivery, while maintaining existing environmental

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[8] California Air Resource Board, http://www.arb.ca.gov/cc/ab32/ab32.htm
[9] California Air Resource Board http://www.arb.ca.gov/cc/sb375/sb375.htm
[10] OCTA 2013-14 State Legislative Platform, pgs. 2-3

protections. Duplications in the federal and state processes deserve special attention with the California Environmental Quality Act providing protections that exceed federal requirements. As regulatory processes continue to move forward that target fuel mix and vehicle technology, attention must be directed at these environmental regulations to ensure technological and economic feasibility as they are implemented."[11]

3. OCTA Legislative Platform Recommendations

- Support efforts to ensure local flexibility in meeting the goals of AB 32 and the use of any associated funding
- Support the eligibility of the transportation sector and inclusion of county transportation commissions as eligible recipients of any funding mechanism created for AB 32 implementation
- Support the eligibility of transit agencies as recipients of revenues secured through the sale of cap-and-trade allowances by independent operator utilities
- Support efforts to ensure the availability of proven technology and adequate funding prior to the implementation of zero emission bus regulations
- Support incentive-based compliance measures rather than punitive policies
- Oppose efforts to create regulations, or strengthen existing standards, that are not currently economically practicable or technologically feasible
- Support legislation to streamline the environmental review and permitting processes for transportation projects and programs to avoid potentially duplicative and unnecessary analysis, while still maintaining traditional environmental protections
- Support the creation of grant programs to assist with compliance of the adopted regulations

B. Federal Environmental Policy and Other Regulatory Requirements

Federal environmental laws and regulations affecting OCTA include the National Environmental Protection Act, the Federal Clean Air Act, Federal Water Pollution Control Act, and the Endangered Species Act.

1. Energy Issues

The transportation sector is the largest consumer of petroleum in the United States, therefore, the focus by Congress to further develop energy efficient policies is likely to have an impact on OCTA operations.

[11] OCTA 2013-14 State Legislative Platform, pg. 3

2. Reauthorization of the Highway and Transit Programs

In September 2014, the Safe, Accountable, Flexible, Efficient Transportation Equity Act funding will expire. OCTA has received over $1.4 billion in transportation funding from programs authorized under the act. A large percentage of the funds are used to fund OCTA's transit operating budget. As new federal funding legislation is considered, OCTA will need to prepare an approach to secure the new transportation reauthorizations.

C. Implementing the Affordable Care Act (ACA)

In 2014, the group health plan marketplace will change dramatically. OCTA is planning ahead and taking action to address the following ACA mandates:

- Individual mandate for most individuals to be insured.
- Exchanges available for individual and small group policies.
- Employers must offer minimum essential coverage.
- Health plan must offer minimum essential coverage that is affordable and provides minimum value.
- For employers of 50+ full time employees (FTE). FTE is defined as 130+ hours a month.
- Large employers subject to tax penalties

D. Pension Reform

On September 12, 2012, Governor Brown signed Assembly Bill 340, which enacted the Public Employees' Pension Reform Act (PEPRA). This law created a new benefit plan for purposes of retirement for newly eligible employees entering public sector employment.

Taking a proactive approach in April 2013, OCTA approved a phased pension reform plan that implements PEPRA requirements. Beginning January 1, 2014, all administrative employees hired prior to January 1, 2013 will be required to pay 25 percent of the employee contribution for participation in the Orange County Employees Retirement System (OCERS). Commencing January 1 of each year thereafter until 2017, all administrative employees hired prior to January 1, 2013 will be required to pay an additional 25 percent of the administrative employee contribution for participation in OCERS. The contributions will increase each year until employees are paying 100 percent of their employee share by January 1, 2017, which is one year ahead of the PEPRA goal of January 1, 2018.

OCTA's 1,100 union-represented coach operators, maintenance workers, facilities technicians and parts clerks already contribute 100 percent of the employee share. This phased approach will help minimize the impact to employees while looking to the long-term financial sustainability of our agency.

During the first pay period in January 2014, all administrative employees began paying 25 percent of the employee contribution for participation in OCERS.

Through this phased approach it is expected that nearly $8.2 million taxpayer dollars will be saved during the three-year period. In 20 years, as employees continue to pay their pensions, nearly $85 million will be saved.

OCTA's nearly 450 administrative employees belong to the OCERS and the overwhelming majority – 96 percent – have a retirement formula of 1.67 percent at the age of 57.5. This is one of the lowest pension formulas in the state.

E. 13(c) Issues

On September 12, 2012, Governor Brown signed Assembly Bill 340, which enacted PEPRA, a new benefit plan for purposes of retirement for newly eligible employees entering public sector employment. Applying to all state and local retirement systems, with the exception of California charter cities and counties who maintain their own independent retirement systems.

Over union objections, transit workers filed complained to the U.S. Department of Labor (DOL), that PEPRA violated their collective bargaining rights. The DOL agreed with the transit union objections and warned that California's new pension law ran afoul of a federal mass transit statute requiring that employee protections, commonly referred to as "protective arrangements" or "Section 13(c) arrangements" must be certified by the DOL. The DOL must certify that a mass transit provider is following the rules as the final step in the federal grant process. If the DOL decertifies an agency, the federal money is not released until the agency is recertified.

As a general rule, Section 13(c) protects transit employees who may be affected by Federal transit funding. Section 13(c) requires the continuation of collective bargaining rights, and protection of transit employees' wages, working conditions, pension benefits, seniority, vacation, sick and personal leave, travel passes, and other conditions of employment.

The DOL, in tandem with transit unions, argued that PEPRA conflicts with transit worker's collective bargaining rights. As such approximately $1.6 billion in state-wide public transit grants were withheld due to the dispute over PEPRA.

For months, the DOL and Governor Brown's administration negotiated over the legality of PEPRA. In early September 2013, discussions between California and the DOL broke down. The federal government immediately revoked $54 million in grants to public transit. In addition, the remaining $1.6 billion owed to California in mass transit grants were withheld, jeopardizing thousands of construction and transit jobs throughout California.

In response, an emergency bill (AB 1222) was brokered on October 4, 2013, which exempted transit workers from the pension overhaul until 2015. In turn, the DOL re-certified California as having complied with the law and allowed the remaining grants to the state for 2013 and 2014.This deal temporarily exempts California transit workers from PEPRA.

On the same day AB 1222 went into effect, Governor Brown took legal action, challenging the DOL's ruling that PEPRA conflicts with California transit worker's collective bargaining rights. If the Court upholds the DOL's ruling, then AB 1222's exemption of public transit workers from PEPRA becomes permanent. If the court overturns the DOL's ruling, then the exemption of public transit workers will expire, and transit workers will be subject to PEPRA.

Pending a court decision, transit employees will be exempt until a federal court overturns the DOL's determination, or January 1, 2015, whichever comes sooner.

VI. Attracting Millennial Ridership

According to a new American Public Transportation Association (APTA) study "Millennials and Mobility," released in October 2013, nearly 70 percent of millennials (people 18 to 34) use multiple travel options several times or more per week. The study shows that while car-sharing, bike-sharing, walking and car ownership will all play a part in the multimodal network; public transportation is ranked highest as the best mode to connect to all other modes. APTA officials note that the recent trend of smartphone applications allows public transit users to be increasingly flexible with their travel decisions.

According to the study, the top five reasons and motivations for choosing public transportation are pragmatic, as 46 percent state that a need to save money drives their choices, 46 percent note convenience, 44 percent want exercise and 35 percent say they live in a community where it just makes more sense to use public transportation.

Because of the future demands of this millennial generation, transportation systems and public transportation systems in particular, will be built around the smart phone. APTA anticipates adoption of features such as: smartphone charging stations on vehicles and facilities; fare collection via smartphone; Wi-Fi, 4G and 3G access; apps that connect public transit access to local amenities; seamless multimodal connections such as bike and car share options; and improved pedestrian access to public transit stations.