

**MINUTES OF A PUBLIC MEETING OF THE AUDIT COMMITTEE OF THE BOARD OF  
DIRECTORS OF THE REGIONAL TRANSPORTATION AUTHORITY**

The **Audit Committee** of the Board of Directors of the Regional Transportation Authority met in public session on **Thursday, June 25, 2009**, at 8:15 a.m., in Suite 1550, 175 West Jackson Blvd., Chicago, Illinois, pursuant to notice.

Committee Chairman Patrick J. Durante presided.

**ROLL CALL**

Committee Members:	Jan Carlson William R. Coulson Patrick J. Durante Phil Fuentes Al Jourdan Michael Rosenberg Judy Baar Topinka
Other Board Members:	James Buchanan Rev. L. Tyrone Crider, Sr. Dwight Magalis J.D. Ross Michael Scott Bishop Horace E. Smith, M.D. Douglas M. Troiani RTA Chairman Jim Reilly -----
Staff Participants:	Stephen Schlickman, Executive Director Joe Costello, SDED, Finance & Administration Grace Gallucci, DED Research, Analysis & Policy Development John Goodworth, Div. Mgr., Program Compliance
Others:	Joe Evans, Partner, McGladly & Pullen Russ Thatcher, Transystems

**Reading and approval of minutes from the meeting held on May 21, 2009**

Director Fuentes moved, and Director Jourdan seconded that the minutes from the meeting held on May 21, 2009 be approved as submitted. The motion carried on the following roll call vote:

7 Yeas            Directors Carlson, Coulson, Durante, Fuentes, Jourdan, Rosenberg, and Topinka

**APPROVED BY THE AUDIT COMMITTEE  
AUGUST 20, 2009**

**Ordinance approving and releasing the RTA 2008 Comprehensive Annual Financial Report (CAFR) and Ordinance approving the Combining Financial Report and resolution certifying compliance with the RTA recovery ratio requirement for 2008**

Mr. Costello reported that to comply with the RTA Act, the RTA Comprehensive Annual Financial Report is prepared annually by the statutory deadline of June 30. As a result of the fiscal year 2008 audit, the unqualified opinion was issued with no major findings. The Combining Financial Report for 2008, which contains the combined audited operating results of the entire regional transportation system for 2008, reports that the 2008 final system-generated recovery ratio was 56.19% for mainline service and 10% for regional ADA paratransit service. Mr. Evans then explained the process used in arriving at these results.

Director Coulson questioned how the recovery ratio could be at 10% when it was hovering around 7-7½% going into the fourth quarter. Mr. Costello explained that the RTA Act was amended in 2008 to enable the Board to exclude a portion of the ADA paratransit costs that relate to the capital cost incurred by outside vendors that provide this service. As part of the March ordinance on the December results of the system, including ADA, we did include that as part of that ordinance. So, an amount of cost exclusion was approved by the Board, and that was what brings it up to 10%.

Director Carlson asked if the new business system will help with the deficiencies noted. Mr. Costello explained that staff is already implementing the control deficiencies. We are not waiting for the new system. Mr. Schlickman added that the disaster recovery planning has already been addressed.

Director Jourdan moved, and Director Fuentes seconded the recommendation of the proposed ordinance to the full Board for approval. The motion carried on the following leave for last unanimous roll call vote.

7 Yeas                      Directors Carlson, Coulson, Durante, Fuentes, Jourdan, Rosenberg, and Topinka

**Report on Performance Measures Peer Analysis**

Ms. Gallucci made a presentation comparing the performance of the transit systems of the ten largest metropolitan areas: Atlanta, Boston, Chicago, Dallas, Houston, Los Angeles, Miami, New York, Philadelphia and Washington D.C. The comparisons were made using National Transit Database information from 2007 for the "Report Card" review areas of Service Coverage, Service Efficiency and Effectiveness, Service Maintenance and Capital Investment, and Service Level Solvency. (Data was not available for the area of Service Delivery.) Data was aggregated for the CTA, Metra and Pace to represent the RTA system. Similar groupings were done for the other regions to allow for more accurate comparisons.

Overall, the RTA regional system performed average or better than its peers in 12 out of the 13 measures (Transit Capacity-Trips per Area Resident, Vehicle Revenue Miles per Service Area Square Mile, Passenger Trips-Ridership, Passenger Miles, Operating Cost per Unit of Transit Capacity, Operating Cost per Passenger Trip, Operating Cost per Passenger Mile, Miles between major Mechanical Failure, Fare Revenue per Passenger Trip, Fare Subsidy per Passenger Trip, and Capital Program Expenditures per Area Resident). It performed worse than its peer systems only in the measure of Percent of Vehicles Beyond Useful Life, which is a measure dependent on capital funding. The next step in the development of the Performance Measurement system is the development of standards/targets.

Director Magalis asked for clarification that in doing performance measures, we measure the CTA, Pace and Metra individually and then group them together as an overall review. Ms. Gallucci responded that this was correct and that we take all the data individually for each agency aggregate the data, and then compare that data for the same aggregated data in another region. For example, the Miami urbanized area consists of three counties and four transit systems. It has Miami-Dade Transit System; Broward County Transit System; Palm Beach Transit System; and the Tri-Rail. These four agencies will be comparable to our three agencies. She added that staff has not yet completed the analysis by individual agency. We are doing that analysis in Phase II, which looks at the sub-regional and agency specific measures where we will be looking at performance of the individual agencies to its peers, and that's what we hope to bring to the Board for discussion in October. Director Magalis followed by stating this would be very important data since each Service Board can find fault with the others. It would be nice to have that peer review validate that these agencies are all doing a good job. This certainly is something that's needed to answer some of our ongoing questions.

Director Magalis then asked from an increased ongoing cost comparison, do we actually compare what growth each of the Service Boards are having? For example, ADA is going way out of line as far as increased costs. Do we do a percentage evaluation of budgets that they are raising. Do we get any feedback on that. Ms. Gallucci responded that some of that analysis is done during the budget process. One of the objectives of the performance measurement system is to get exactly at those things. As we proceed into the sub-regional measures, we will be looking at data by various things such as mode, which would include ADA, then, separately from CTA rail or CTA bus, or Pace bus. This is the program staff expects to bring to the Board in Phase II, starting with that discussion in October. Director Magalis followed by asking if any evaluations of ADA at this point would be lumped into the Pace numbers that we have. Ms. Gallucci replied that as far as this analysis is concerned, yes. We will look at ADA separately as we develop budgets. Pace does keep their accounting separate.

Director Rosenberg commented that the shortage of capital funds seems to be the one thread that works it's way through this whole report and pulls down the RTA region and, of course, its peers. He then asked if we analyze the sources of capital for the peers in the other regions or the ones that we consider the most comparable to us. Do they get a higher percentage of federal money versus state money. Do they get municipal money in any of these regions. Do we look at the flow of funds on the capital side to these other regions versus us. Ms. Gallucci explained that the information is available, and we have looked at it in the past both in preparation of the MBC strategic plan, as well as other types of assignments that we have taken on. She added that staff can prepare that analysis and present to so the Board can have a better picture of where the funding sources for the other peers comes from.

Mr. Schlickman commented that in looking at this data, we want to group ourselves against similar transit systems, which would be New York, Philadelphia, Boston and Washington, D.C. The Metrorail system has very significant capital issues. This is confirmed by the FTA study of the old rail cities. There is a tremendous amount of backlog at each agency. We are all underfunded as it relates to our capital program in particular. This is known at the federal level, and it is a federal issue that is good for us in the long-run.

Director Scott asked why San Francisco isn't part of this report. Mr. Schlickman responded that it doesn't hit our top ten. It didn't hit the top six or seven for the FTA report as well. BART was in there, but not the full system.

Committee Chairman Durante concurred with Director Magalis on the peer analysis. He added that what might be interesting to include would be which of our peer groups also are similar to our area with respect to the Service Boards, who are kind of independent of each other yet fall under the RTA to fund them. It might be good to include which of those peer groups is similar in that respect. Mr. Schlickman answered that pretty much every system that we are looking at has one operating agency. The only system that we'd be most compared to would be the San Francisco area, where they are actually even more divided in terms of separate operations than we are here in the Chicago area.

Director Scott reiterated Director Durante's question by stating that as we look at this data and try to drill down into making it useful for us, if we were able to get the three systems that were organized more similarly to ours just in terms of number of agencies and compare apples to apples, we can do a peer analysis that's more useful to us. Mr. Schlickman commented that he was not so sure that there is a sufficient number of systems like that beyond San Francisco. The Auditor General struggled with this when he did his audit of the four systems back in 2007. He actually did a peer analysis for all of them. And he had to work hard to segregate information at those one-operating-unit agencies so that he could get comparable data so that we had a true set of peers on the commuter rail side that compared to Metra or, similarly to the CTA with its mix of bus and rail.

#### **Ordinance authorizing a contract for assessment of fare collection costs**

Ms. Gallucci explained the ordinance requested was for consulting services for an assessment of fare collection costs. Some background information was provided to help frame the justification, specifically the study of the potential implementation of a universal fare payment system. It was indicated that this assessment was the first step in the performance of a cost/benefit analysis.

The goal of the assessment is to determine the costs associated with the collection of fares through the existing structures at each of the agencies in order to present a comprehensive and current baseline to be used in the evaluation of alternatives in the implementation of a universal fare payment system.

The project will consist of four tasks: Task 1 - Inventory Existing Fare Collection Procedures, Task 2 - Obtain Cost Data for each Service Board by function and/or categories, Task 3 - Verify and Standardize Cost Data for Comparability, and Task 4 - Prepare a Final Report.

She explained that due to the size, complexity, and various areas of specific expertise required for this project, professional services are needed. Therefore, the RTA issued a Request for Proposals for these services. Six proposals were received. An evaluation committee consisting of RTA staff evaluated proposal based on a set of criteria that included the quality of the approach, quality of the management plan, qualifications and experience of the firm and key personnel, and cost.

Based on these criteria, Booz Allen Hamilton was recommended by staff to provide the assessment of fare collection costs. She stated that the proposed cost of the contract is for an amount not to exceed \$129,155 and the 2009 RTA budget contains sufficient funding.

RTA Chairman Reilly commented that this is a critical step because this kind of universal system is going to require start-up expenditures, as well as ongoing ones. There are costs of not going to that system, of maintaining the present system, and this is simply a way of drawing together that detail. The contractor will basically use the data coming from the Service Boards. This is not an independent audit. It will compile that data in a way that we can compare, which then gives us a way to build the business plan or not before moving to a universal system.

Director Magalis asked if the evaluation was only for the CTA, Metra and Pace and if ADA is included as part of Pace, or is it excluded for the analysis. Ms. Gallucci indicated that it was currently included as part of Pace, but is to be included in the longer-term evaluation and proposal of the universal fare system, as well as part of this study.

Director Topinka moved, and Director Carlson seconded the recommendation of the proposed ordinance to the full Board for approval. The motion carried on the following leave for last unanimous roll call vote.

7 Yeas                      Directors Carlson, Coulson, Durante, Fuentes, Jourdan, Rosenberg, and Topinka

**Report on Rail Safety Oversight (RSO) Program reviews**

Mr. Goodworth explained that the RTA's Rail Safety Oversight (RSO) Program was designed to enforce the FTA's State Safety Oversight Rule for fixed rail guideway systems. The RTA's RSO program is structured to oversee the operation of the CTA Rail system and to ensure the safety and security of the riding public and CTA personnel. Ongoing responsibilities include: conducting triennial on-site safety reviews, notification and investigation of accidents, including those undertaken by the NTSB, conducting hazard analysis, conducting routine safety audits and, documenting and verifying the implementation of corrective actions plans as required, to address findings resulting from any of the aforementioned activities

The 2007, RTA Triennial Review and associated follow up activities throughout 2008 and 2009 were delineated. The RTA was able to close out 121 or 82% of the findings from the 2007 triennial review. Additionally 6 or 4% of the findings have been verified by the RTA as being partially complete. There are plans in place and corrective measures are being undertaken to close out the remaining open findings in the next few months. We believe this to be a vast improvement over prior years and significant achievement for both the CTA and RTA.

Details for the FTA State Safety Oversight Audit of the RTA were also presented. The following are some of the activities that were completed to address the issues raised in the FTA Audit. The RTA has completed an update of the System Safety and Security Program Plans. New procedures for the Internal Safety Audits were implemented. A new Hazard Management Process has been developed and implemented. The RTA introduced annual meetings with the RTA Executive Director and the CTA President to discuss the RSO Program. In its quest to be the best SSO in the land, the RTA has reached out to the CTA and others in a hands-on spirit of partnership. Additional activities have included: additional follow-up reviews, RTA Receipt of CTA Right-of-way safety training, facility and subway walks, emergency exit inspections, quarterly meetings that include the RTA, CTA, FTA, IDOT, and TSA, establishment of monthly Safety Discovery meetings where the RTA and CTA work together as a team to solve CTA safety problems (E.g. a Track Gauge prototype was specifically developed by RTA staff to assist the CTA in solving track inspection problems).

Director Topinka asked if the situation that happened in Washington, D.C. could happen in Chicago, or are we in a better position to deal with something like that. Mr. Goodworth explained that with CTA safety, we are in a better position in that our cars are better prepared and have better geometries right now. We are actually working with them to get better information in that regard also. Mr. Schlickman added that our system is not automated as the Washington Metro system is. The CTA has individual operation by the operator on each train. He added that between the RTA and CTA safety staffs, we have come a long way in establishing the type of budget for not just oversight, but a partnership. Ms. Gallucci pointed out that the CTA really has come a long way and it has put tremendous effort forth in improving the safety department, making it a priority. Last year we had 148 findings. Today, close to 90% of the findings have been resolved or on the way to being resolved. That is no small effort, and the CTA needs to be commended for that as well.

Director Scott commented that what has come out of this case is better administration, better safety procedures, and better coordination. The original list of findings were to be classified as maintenance, cosmetic, lights going off, and the majority of them fairly significant primarily due to the fact that there was a lack of capital. Mr. Schlickman added that what makes the challenge even greater is when you have a deteriorating system, you have more to be concerned about and more you have to identify. The challenge, is how do you have a safety program that identifies those problems that are created by a lack of capital funding and a deterioration of the system. The CTA, in particular, is paying for it in their operating program.

### **Report on audit of the ADA Paratransit service changes**

Mr. Russ Thatcher of TranSystems reported on the draft findings and recommendations from the audit. He reviewed the scope of the audit, and then address each area specifically: 1) Examine Pace Performance before and after the transition, 2) Review Customer Service, including obtaining rider feedback and reviewing rider complaints, 3) Review the Previous Public Meetings, 4) Examine Cost Analysis, focusing on the business case for the changes made, and 5) Review the Trapeze System and Transition Issues. He emphasized that this was not a review of ADA compliance, and that there was a separate ADA review being conducted in this regard (Nelson\Nygaard Study).

The overall findings suggest that the new design was a reasonable approach to address the service issues that existed and that service changes have resulted in improvements in trip availability, telephone access and on-time performance. There were some trade-offs, however: no rider choice of contractors, less same-day trip flexibility, and longer ride times (though within ADA requirements). The audit also found that Pace is very thorough in their service monitoring and that cost increases were due to updated rates. Lastly, they noted that the current rider concerns appear to be more related to policy changes than performance.

In regard to the actual transition, the auditor's findings related to software issues were that the slowdowns were caused by the volume of MDT data transmitted, that the problem was resolved quickly, that there was good implementation planning and training, and that it was a unique situation and not "test-able". They also found that there were contractor "start-up" issues that affected the actual transition performance, particularly a new operation (MV Transportation) and new software and operating procedures (CDT). The drop in performance was evident for one month, but that it compares favorably to other large city ADA paratransit transitions.

The audit produced the following recommendations: 1) On-Time Drop-Off Standard with Incentives and Liquidated Damages, 2) Re-Examine Productivity Standard and Incentives/Liquidated Damages, 3) More Detailed Travel Time Software Parameters, 4) Consider Door-to-Door Service, 5) Move To Larger, Pace-Owned Vehicles to Support Pre-Scheduled Operation and Lower Operating Costs, 6) Consider Centralized Reservations, Scheduling and Dispatch, 7) Quicker Responses to Rider Complaints, 8) Increased Availability of Rider's Guide, and 9) Ongoing Public Information About Service Performance Improvements and Efforts to Address Rider Concerns.

Mr. Thatcher emphasized that these are the draft findings, and Pace has been given a copy of the draft report for their review and comment. The final report will be completed approximately one month after Pace's response.

Director Magalis asked if there was an increase of the suburban rates similar to the increase for the city contracts that had a 21% increase once they were renewed. Mr. Thatcher responded that they were just looking at the city rates. Director Magalis followed by stating he would like to see a comparison. Mr. Schlickman responded that he spoke to TJ Ross, who indicated there is a \$13 per hour difference. It is lower in the suburbs. That's largely contributed to the fact that Pace owns the vehicles in the suburbs where they do not in the city.

Director Magalis commented that we are talking about \$9 million or \$3 million in potential savings from investing in replacement of the paratransit buses. That has the potential of big savings. He then asked for confirmation that as far as the operation of this from a management perspective. Transystems did not find major issues with how the system is being managed by Pace for the paratransit system. Mr. Thatcher replied that Transystems felt that Pace's monitoring and oversight of the program was exemplary. They have some very good processes in place to check day-to-day and week-to-week contractor operations.

RTA Chairman Reilly commented that ever since Pace took over this operation, there have been just assertions about how Pace is doing. There are some recommendations and some things that we need to make sure that Pace follows up on, but it seems to fairly conclusively say that the wild assertions about

Pace not doing very well simply aren't true. He pointed out that the Finance Committee would be considering a motion to postpone discussion and final resolution until July. We have preliminary findings from an independent study on the table. If the requested action is postponed, he invites anybody, including the other Service Boards who might have a different view, to tell us what their concerns are in the short time before this matter comes before the Board in July. We cannot go on forever debating these kinds of issues. We have got to get on with the job of dealing with the complaints we get from riders. If the zone system is bad, let's figure out a way to do away with the zone system, which a centralized dispatch would make possible. If there are funding issues, let's deal with them. But at some point, we have got to quit studying this issue and actually get on with doing something about it.

Mr. Schlickman pointed out that Pace was given an appropriate amount of time to respond to the preliminary report in order to make comments on it or to ask for adjustments, which is the standard procedure for any audit. Ms. Gallucci explained that Pace has been given the full draft document. They are in the process of reviewing it. They have presented some of their issues different aspects of the report. We are now in the process of allowing them some additional time to present information that they either didn't present to TranSystems before or that is now required. We would hope that this is completely wrapped up and a final report would be issued within a month.

Director Rosenberg stated that he totally supports the idea that you can't keep studying this issue or any other issue indefinitely. This report is a snapshot of a period of time when one Service Board had the service and transferred to another Service Board. He stated that the service as it existed prior to the transfer was the not the most efficiently operated. There were certainly problems the CTA encountered operating the system. Pace has made an effort to make improvements. The direction is exemplary if you look at the progression past that first 30 or 60 days. Taking December 2008 out of the study, there has been great improvement. This is now June of 2009 and if you were to update your study by six months, you'd find that it is continuing. He then commented that he did not think that is the reason to move to the next committee agenda and deal with an issue of funding the purchase of vehicles and certainly other funding issues because of this progress. They are two separate issues. There are still greater efficiencies to be gained in the system whether we do or don't postpone that deliberation of the item on the Finance Committee's agenda.

Director Scott commented that to what degree it impacts budget considerations, all of the questions should be taken comprehensively. He then asked if Pace is studying these recommendations for their validity, are they studying them in relationship to cost of implementation. This is not a revenue or a financial audit where there are exceptions and you have to comply. It's a performance audit. Ms. Gallucci responded that some of Pace's concerns are validity issues, just making sure that the data was comprehensively collected and that it reflects all of the right information. Some of them would be regarding the implementation because of funding. Pace has raised a great concern about a number of recommendations not being able to be implemented because of a lack of funding.

Mr. Schlickman commented that Pace has done almost everything it can to control its costs without causing concerns among the riding public. The policy decisions that are left on the table or the cost savings that are left really involve policy decisions that are going to have a significant concern for the riding public. He added that this report will be discussed with the ADA Advisory Committee to get their reaction. They actually advised us on the scope of this contract and signed-off on the scope. So we do have more work to do to discuss this with the using riders.

Director Scott commented that we have major capital considerations. Our role here is to analyze all of the information to make the correct decisions. The report has some major recommendations which have significant cost implications, capital and otherwise. He then stated that in terms of Chairman Reilly's comments, it just seems that we need to make coordinated analysis and decisions.

**ADJOURNMENT**

There being no further business to come before the public session of the Audit Committee, Director Fuentes moved, and Director Jourdan seconded that the meeting adjourn. The motion carried by the following voice vote:

7 Yeas            Directors Carlson, Coulson, Durante, Fuentes, Jourdan, Rosenberg, and Topinka

The meeting ended at 9:55 a.m.

*Audrey Macleennan*

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AUDREY MACLENNAN  
Secretary of the Authority