

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

The Finance Committee of the Board of Directors of the Regional Transportation Authority met in an emergency public session on **Friday, September 14, 2007** at 8:30 a.m., in Suite 1550, 175 West Jackson Blvd., Chicago, Illinois, pursuant to notice.

Committee Chairman Dwight A. Magalis presided.

ROLL CALL

Present: Carole L. Brown
Dwight A. Magalis
Fred T.L. Norris
Patrick V. Riley, Jr.
Michael Rosenberg
Judy Baar Topinka
Douglas M. Troiani
Rev. Addie L. Wyatt

Others: William R. Coulson
Patrick. J. Durante
Armando Gomez, Sr.
RTA Chairman Jim Reilly

Mr. Steve Schlickman, RTA Executive Director explained that before the Finance Committee was a proposal for stopgap funding put forth by Governor Rod Blagojevich. The plan would advance the RTA \$37 million in reduced fare subsidies and an additional \$54 million in paratransit funds immediately. These funds would allow the RTA to temporarily bridge the funding gap remaining for 2007 and allow the Service Boards to postpone service cuts, fare hikes and layoffs from September 16th, until approximately November 4, 2007. He then clarified several important points about the offer of assistance and what it means for the RTA, the Service Boards and, most importantly, transit and paratransit riders. He emphasized that the governor's proposal is a temporary fix and only delays our previously communicated inevitable doomsday. If the legislature and the governor fail to reach an accord on a comprehensive long-term solution, the crisis will unquestionably intensify. Having acknowledged the potential risks of the proposal, it is important to note the tremendous good that the funds will produce in the near term. Most importantly, dramatic service cuts in service, fare increases and layoffs will not be implemented September 16th. Hundreds of thousands of riders will not be forced onto the roads or stranded without transportation alternatives. Our economy, environment, and quality of life will be spared temporarily from the negative consequences associated with these cuts. Because the RTA takes its fiscal oversight responsibility very seriously, he emphasized that by the action the Board is being requested to take, we are not relieving the Service Boards of their requirement to have a balanced budget by the end of the year. It is for all of these reasons that we recommend the board's acceptance of the governor's funding proposal.

**APPROVED BY THE FINANCE COMMITTEE
OCTOBER 4, 2007**

Since the launch of the Moving Beyond Congestion Strategic Plan in 2006, we have critically reviewed our transit system and worked closely with elected officials in a coalition of nearly 700 partners and over 17,000 individual partners throughout the region. We take the legislative leaders and the governor at their word and need them to quickly produce a viable long-term transit funding solution. If they fall short in their effort, the consequences will be severe. The longer the legislature takes to address this situation, the more intense the shortfall becomes and the more difficult it will be to close. We continue to believe that the existing Senate Bill 572 is a thoughtfully crafted proposal that is also equitable, while balancing the transportation needs of the entire region. Furthermore, it contains important RTA reforms, a majority of which were recommended by the Illinois Auditor General. It addresses the CTA's pension and retiree healthcare reform and provides for sound stable funding into the future. We will consider other proposals as we go through the legislative process, but we have very little time. At this point, no other substantive viable long-term proposal has been put forth that has the broad regional bipartisan consensus as Senate Bill 572. The millions of commuters that rely on the system cannot wait any longer. Also, those that drive and increase traffic congestion don't need any more vehicles on the road. As political negotiations continue and transit riders await an important decision, we are willing to assist the legislature in any way we can. Mr. Schlickman then asked Mr. Joe Costello, RTA's Senior Deputy Executive Director of Finance and Administration to explain the action being proposed.

Mr. Costello explained that pursuant to Illinois State law, the Illinois Department of Transportation make grants for the purposes of reimbursing reduced fares for mass transit services for students, persons with disabilities and the elderly. The CTA, Metra and Pace provide discounts, the amount of which vary by type of ticket and pass. The state appropriation has historically been less than the total discounts given and has been paid to the RTA during the last half of the state's fiscal year, which is January through June. The funds are allocated to the CTA, Metra and Pace based on their pro rata proportion of the discounts actually provided and as verified by RTA audit. Historically, the CTA provides 83%, Metra 8% and Pace 9% of the total discounts and so receive those portions of the amounts received from the state. The RTA Act directs the reimbursement to be recognized as revenue for purposes of calculating the system-generated recovery ratio. The September 12th letter from the Illinois Governor offered to provide the entire \$37 million state appropriation in the state's budget for the state fiscal year ending June 30, 2008. The RTA budget had anticipated receipt of \$9 million in 2007 with the remainder in 2008. So the receipt of \$37 million would represent \$28 million more in calendar year 2007 than we had anticipated in our budget. He concluded by requesting that the Finance Committee recommend the adoption of an ordinance which authorizes the RTA executive director to transfer this cash to the Service Boards, as well as the additional \$54 million that was added in the September 13th letter from the governor.

Committee Chairman Magalis emphasized that we have spent at lot of time over the past number of years looking at how to continue to operate our transit system. We are now at a critical point. We continue to come up with ways of operating the best that we can. Certainly over the past years using capital funding for operational purposes has been an unpleasant thing to do, something that we have been criticized for doing. Now, we are asked to use anticipated revenues from 2008 to prop up our 2007 budget. Not something any of us want to do, because it only is going to make our problem worse if we do not receive funding and assistance from the state. We have a limited amount of time to deal with it. Nobody wants to disrupt transit. The governor, our legislator leaders, our Chairman, along with different agencies throughout the state are all working toward trying to get additional funding. This offer would really allow us to continue to operate for another month or so utilizing 2008 funds, which was for paratransit and also for the funding replacement for trips.

He then stated that there is another item that we want to deal with as part of this process. About a month ago, RTA staff came up with approximately \$7.5 million in budget cut recommendations to our budgets and placed it in our contingency fund. The purpose of that was really to have that money set aside so at the proper time we could transfer it to Pace to help fund the deficit that we are operating under as far as paratransit is concerned. One of the actions being requested is to amend the 2007 budget by transferring \$7.5 million from the contingency fund to Pace to be utilized for paratransit. We also want to direct staff to take the necessary action to make the amendment happen.

RTA Chairman Reilly commented that after he and CTA Chairman Brown were asked to meet with the governor's office to discuss the options, to simply suggest borrowing some funds from the state's fiscal year, is not only not a long-term solution, it's not even a good short-term solution. It is not a good solution, particularly at the time we raised the question about paratransit, because at the time at least the state was seemingly not dealing with that issue. To the governor's credit, he then subsequently sent a second letter agreeing to accelerate all of the paratransit money into this fiscal year. Now again, that's not new money either. That's simply borrowing from one to support the other. You could say as an accounting matter and a professional budgeting matter, this is not a good idea. But at the end of the day, we have to remember that we are dealing with people's lives. The person who earns \$8 an hour at some suburban McDonald's that can't afford to live in that suburb, still needs to get to work. There are real people who have real lives that we affect. At the end of day, while this is clearly a risk, it's a risk worth taking. He pointed out that he has consulted with legislative leaders, and believes there is a reasonable chance that additional funding of the kind provided in the bill that we have advanced will come. The point needs to be made to the legislators and the governor this isn't some special interest group asking for money. This also is not some government agency that is asking for an increase. At the end of the day, it's real people, it's real lives that are affected, and everybody needs to remember that. He indicated that when this matter came for a vote before the Board he intended to vote yes.

Director Topinka commented that for the past nine months the legislature has not been able to put together a transit program that makes some sense when they know it was pressing. It was not even on their radar. She added that Representative Julie Hamos should be commended for the effort she has put forward on behalf of transit. She further agreed that to first accept this offer to assist the CTA is a big gamble, but now it's even greater by adding Pace to the mix. She cautioned about giving people a false sense of security that by accepting this offer everything would be okay. This offer only helps for a couple months and then we are either back here again, or worse. Transit is so important for northern Illinois. It is our lifeline, our vitality. It's our economic engine for the whole state and yet it's been trivialized in Springfield, with the exception of a few legislators. She concluded her remarks by expressing her concern that we have no guarantees backing up what is basically a payday loan. If nothing comes of this in Springfield, all the hard work that has been done by the Service Boards, the unions, and the RTA will have been for nothing. She then stated that she intended to vote no on this issue.

Director Brown commented that this was a difficult recommendation for CTA President Huberman and her to make. She pointed out as Chairman Reilly stated, because of our 1.6 million riders a day and the people who depend on transit to get to school, to work, to their doctors' appointments and could care less that the leaders in Springfield cannot get along, they just want to know that their bus or train is going to be there when they walk out to catch it. She stated that as distasteful as this is to defer the bill, she thinks we have to do it. We have to do it because our riders depend on us. And we have to redouble our efforts in Springfield.

Director Brown pointed out that transit is now on everyone's minds. The last two days of editorials have been amazing in support of a regional solution for transit. She commended Representative Hamos who has done a great job to keep transit on the front burner in the House along with the support of Speaker Madigan. We have to trust that in the next 30 days they will craft a long-term solution that will avert not just service cuts and fare increases for this year, but so that we are not having this dialogue year after year. She concluded by stating that she was going to be voting yes.

Director Rosenberg pointed out that we have a moral responsibility to give the riders of Northeastern Illinois the best mass transit system we can. To get caught up in the political issues is not really our job. He added our job is to deliver service. We spent the better part of two years crafting a plan, Moving Beyond Congestion. We have asked the Service Boards to be very introspective. The Auditor General has come along as an outside agency and examined not only the RTA but the Service Boards, and we all agree that the Auditor General's report was accurate and forthright. I think the Service Boards have stepped up to the plate and done what they have to do to improve the system, and offer the riders the system that they are really entitled to. And to be captive of a dysfunctional political process is unfortunate. Our life blood does come from Springfield in the form of revenue. At this point in time, to put people on the street, when they try to go to work is immoral. He then stated that for this reason, he would vote in favor of the amendment and hoped that the rest of the directors think likewise.

Director Riley stated that he drove down that morning and during his trip witnessed the congestion, along with the buses and trains transporting people to their jobs and to connecting modes of public transportation. He then commented that some of these routes and services could be eliminated without this assistance. He used the analogy of "robbing-Peter-to-pay-Paul." The awkward thing is that the RTA becomes both Peter and Paul. It's not like there's money being provided for us in a one-time windfall. For all practical purposes, this is a bookkeeping exercise. There is no upside in this for the RTA or any of the Service Boards. This is a situation where we are simply borrowing on the cuff to be able to sustain the system a bit longer. We are looking at seven weeks worth of grace on this. It's 49 days before the hammer falls again. He asked himself, what was more important, standing up and making a statement right now and telling the governor no, you have to fix this, or dealing with the lives of those people who he saw on the trains, the people that were out stuck in traffic. He concluded that while it is indeed a gamble, he preferred to look at it more as a bridge that's going to get us where we want to go. It's going to provide the legislature a chance to come together, cobble something out with the governor that makes some sense and preserve transit in the northeast corner of Illinois, hopefully, for years to come. He further stated that he was not particularly excited about this option, but if seven more weeks provides people the opportunity they need to get to and from work, and the places that they have to go, and also provides our state legislature a chance to step forward and do the right thing, then he was going to vote for the seven weeks.

Director Norris stated that over the years, we have recognized and dealt intelligently with all of our situations. In the past two years, we have been working very diligently with our strategic planning to come up with exacting information and detail. He believes what we are talking about right now is a pseudo solution. He pointed out that he has said repeatedly if they have to have a crisis, then let's give them a crisis. We know that the Auditor General has come in and attested to the efficiency that we deal with. He added that he think it's our responsibility to deliver an efficient, effective and safe system for the commuters that are in this area. After all is said and done, the Service Boards will continue to flounder until we get our magic number from Springfield and it can only come from Springfield. He stated that he cannot in good conscious as a member of the RTA Board say no at this point, even though

he know it is a pseudo solution. He added that he realizes there a many people who depend on our transit system to survive, and so if this is the only solution, and it's a sorry solution, then he has to vote yes for it, but not very willingly.

Director Coulson asked for clarification that if nothing happens by November 4th in the legislature, then, from January 1 to June 30 of next year, there will be no money for the reduced fare plan and no money for paratransit because we will have spent it. He further asked if in the absence of a state appropriation, we could not provide any money on our own to paratransit. Mr. Costello responded that the state will have sent the money and we will have used it.

Director Coulson further commented that this is all contingent on something happening between now and November 4th in the legislature. He then commented that as he read the RTA statute, we have to make economic assumptions and projections that are reasonable and prudent. He then requested that Chairman Reilly, or Mr. Costello make the best case for how assuming that the state's going to do something in the next 60 days that is reasonable and prudent. Do we have to make some political calculation on this. RTA Chairman Reilly replied that Director Coulson was right. It is that kind of calculation, although in terms of the statute, we are taking down the marks for 2008, which we will be adopting. Mr. Costello added that the funding marks for 2008 do not assume any new transit funding. Mr. Schlickman pointed out that we are also not changing the marks for 2007, which means that the Service Boards are going to have a balanced budget under those marks by the end of the year.

Committee Chairman Magalis commented there are a couple of assumptions that we could make. First, we know that the money we are talking about that we are going to utilize to operate through 2007 will be available. That's the only thing we know. Hopefully, they will transfer the money as the governor said. We will be able to distribute that money to paratransit. We will be able to distribute that additional money out for the replacement of the trips to the Service Boards. As far as prudent and reasonable, the question is will it be funded through the legislature? We look to the legislature for a lot of funding. In the past years, we received a tremendous amount of support, whether in the new start programs that were funded by the state and other sources. So our major source of revenue comes from the state as far as authority to get it. So it's not something that we can take an action and pass a sales tax or increase the sales tax. We have to look to the legislature for that. We have seen a lot of movement toward trying to address this issue. A financially prudent person has to have a backup. Our fall-back is going to be much greater service cuts, potentially much greater fare increases than maybe we would have done had we not received the offer from the governor. He stated that he believes it is a prudent thing to go ahead and accept the offer. He added that he has been the biggest critic about using capital funds for operating purposes, and now must consider using 2008 dollars for funding the 2007 budgets. He added at this point the best case scenario is to give them the additional time. Rest assured, if we don't get the legislative relief that we have asked for, we are going to be making major service reductions and have to do major fare increases or the whole system will collapse.

Director Brown further added that what's sometimes lost in the benefits of Senate Bill 572 is the pension and healthcare reform that the CTA requires. We need the pension and healthcare reform or we are going to have a much bigger hole next year that we will have to address than \$24 million. If seven weeks gives the legislature time to craft a solution that both houses and the governor can support, then we need to take the chance that the seven weeks will be enough because \$24 million isn't going to be our problem next year and beyond. If we don't get the pension and healthcare reform, if we don't get additional operating funding, the issue is bigger than the reduced fare reimbursement acceleration.

Ordinance amending the 2007 Budget

Director Magalis moved, and Director Norris seconded recommendation of the proposed ordinance to the full Board for approval. The motion carried on the following roll call vote:

8 Ayes Directors Brown, Norris, Magalis, Riley, Rosenberg, Topinka, Troiani, and Wyatt

Ordinance authorizing the Executive Director to pass through the additional cash that is to be received pursuant to the letters from the governor for paratransit and for reduced fares

Director Troiani moved, and Director Rosenberg seconded recommendation of the proposed ordinance to the full Board for approval. The motion carried on the following roll call vote:

7 Ayes Directors Brown, Norris, Magalis, Riley, Rosenberg, Troiani, and Wyatt

1 Nay Director Topinka

ADJOURNMENT

There being no further business to come before the emergency session of the Finance Committee, Director Norris moved, and Director Rosenberg seconded that the meeting adjourn. The motion carried by the following voice vote.

8 Ayes Directors Brown, Norris, Magalis, Riley, Rosenberg, Topinka, Troiani, and Wyatt

The meeting adjourned at 9:05 a.m.

Audrey MacLennan

AUDREY MACLENNAN
Secretary of the Authority