

**MINUTES OF A 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 public session on **Thursday, April 17, 2008** at 9:10 a.m., in Suite 1550, 175 West Jackson Blvd., Chicago, Illinois, pursuant to notice.

Committee Chairman Dwight A. Magalis presided.

ROLL CALL

Committee Members:	Dwight A. Magalis Patrick V. Riley, Jr. Michael Rosenberg Judy Baar Topinka Douglas M. Troiani
Other Board Members:	James Buchanan (via phone) Jan Carlson William R. Coulson Rev. Tyrone Crider, Sr. Patrick J. Durante Armando Gomez, Sr. Al Jourdan J.D. Ross Chairman Jim Reilly -----
Staff Participants:	Stephen Schlickman, Executive Director Joseph Costello, SDED, Finance & Administration Vida Morkunas, Manager Grants & Capital Programs

Reading and approval of minutes from the meeting held on February 21, 2008

Director Topinka moved, and Director Riley seconded approval of the minutes from the meeting held on February 21, 2008. The motion carried on the following roll call vote:

5 Ayes Directors Magalis, Riley, Rosenberg, Topinka, and Troiani

Resolutions certifying operating budget compliance for the Service Boards and the Region for the Fourth Quarter 2007

Mr. Costello reported that staff recommends the resolutions certifying the operating financial results for each Service Board and the region as a whole are substantially in compliance with the adopted budget through the fourth quarter of 2007 with the sole exception of ADA paratransit service. Staff makes the recommendation of compliance regarding the CTA, Metra, Pace Suburban Service and the region as a whole because the CTA net results for 2007 were on budget, and its recovery ratio was within .5 percentage points of budget. The net results and recovery ratios for Metra and Pace Suburban Bus Service were favorable to budget; and the regional recovery ratio of 51.7% was .5 percentage points greater than budget.

Conversely, the 2007 ADA paratransit service recovery ratio of 8.1% falls short of the 10% requirement of the RTA Act and net results of \$76.5 million exceeded budget by \$500,000. Planned fare increases were delayed during 2007 as an uncertain funding situation resulted in a system-wide deferral of fare increases. As the 10% recovery ratio for the regional ADA paratransit service represents a clear minimum established by the RTA Act, staff recommends the RTA Board find that ADA paratransit service is not in compliance with budget. The RTA Act requires that, as a result of such finding, a Service Board must submit to the RTA Board a plan showing that the budget will be brought into compliance within the next four quarters. The 2008 budget for ADA paratransit service adopted by the RTA meets the 10% recovery ratio requirement. Therefore, staff recommends that the Board accept the adopted budget as meeting the required fourth quarter plan. However, it does require that Pace take additional actions in 2008 to achieve that 10% ratio, which may include reducing costs and/or raising fares. RTA staff will work with Pace to identify and implement such action.

Committee Chairman Magalis commented that paratransit has certainly undergone a lot of changes since July of 2006 with the restructuring, so it's going to take time to make some adjustments. The state law gives the RTA no choice but to find that Pace is not in compliance because they did not hit the 10%. It's not a judgment call, it's an automatic ruling based on what the state statute says. They have taken measures, in the 2008 budget that we are going to be looking at, and show that they will meet that 10% requirement. Pace has their work cut out as far as how they are going to hit that 10% even in 2008, whether they raise fees, cut services, or get legislative relief.

Director Rosenberg pointed out that in 2009, the 10% goes to 12%. So while we are trying to deal with Pace and help them reach 10% for this year, we have got to anticipate there is an extra 2% coming up in the next budget year.

Committee Chairman Magalis requested a motion and second to take all four resolutions in one vote. Director Troiani moved, and Director Rosenberg seconded. The motion carried on a leave for the last unanimous roll call vote. Director Rosenberg then moved, and Director Troiani seconded recommendation of the proposed resolutions to the full Board for approval. The motion carried on the following voice vote:

5 Ayes Directors Magalis, Riley, Rosenberg, Topinka, and Troiani

Ordinance amending the 2008-2012 Capital Marks and Program

Ms. Morkunas explained that the proposed amendment included two actions: revisions to the 2008-2012 Capital Marks to reflect federal and local funding source changes, and adjustments to the CTA, Metra and Pace 2008-2012 Capital Programs to conform to the revised marks.

Regarding the federal funding marks for 2008-2012, the CTA requested to increase their federal flexible funds by \$1.4 million to reflect a new Congestion Mitigation Air Quality (CMAQ) grant, and Pace requested to increase their Section 5309 Bus funding by \$30,000 for bus equipment. Regarding the local funding marks, Metra requested to transfer operating funds of \$20.7 million in 2008 and \$172.1 million in the out-years to fund various capital projects and to add \$10 million per year in 2008-2012 of Service Board funding from farebox proceeds related to the recent fare increase. Pace requested to increase Service Board funding by \$70,000 to provide local match for Alternatives Analysis for the Cermak Road Arterial Rapid Transit project. In addition, the CTA requested to increase their funding by \$27.8 million to reflect the interest earned by the CTA on previously issued bonds and add \$25,000 of IDOT funding for a security demonstration project. Furthermore, the CTA proposed to use \$26.9 million of operating funds in the out-years to fund a portion of the purchase of 150 articulated hybrid buses.

Regarding the de-obligated funding marks, the CTA requested to de-obligate \$0.4 million of the RTA Blue Line funding to provide the match for a CMAQ project. Pace requested to withdraw their previous request to use \$2.6 million in 2008 and \$19 million in the out-years of federal formula funds for their operating budget for preventive maintenance.

In order to conform to the revised Capital Marks, the CTA, Metra and Pace proposed various reprogramming actions. The CTA changes included the addition of three new projects and various budget revisions. This amendment reflected the CTA's decision to acquire 150 articulated hybrid buses to replace buses exceeding their useful life. Similarly, Metra requested to add four new projects and make numerous budget revisions. These generally modest revisions involve cost estimate adjustments to reflect current conditions and funding available. Finally, Pace requested to add four projects and make various budget revisions to their Capital Program.

In summary, the 2008 RTA Capital Program increased by \$45.9 million and the 2009-2012 RTA Capital Program decreased by \$52.4 million. This out-year decrease is mainly associated with the RTA's decision to remove IDOT funding in February, the addition of Service Board funds by Metra, and the removal of the transfer of capital funding to operations by Pace.

Director Riley then 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:

5 Ayes Directors Magalis, Riley, Rosenberg, Topinka, and Troiani

Ordinance authorizing working cash borrowing

Mr. Costello explained that the proposed ordinance authorizes the RTA to borrow funds to provide financial support for working cash needs. Section 4.04 of the RTA Act authorizes borrowing for this purpose. As you know, this year saw the successful result of our efforts to secure additional operating funds for the RTA system. Public Act 95-0708 authorized sales tax and real estate transfer tax increases, as well as increased the amount of state matching funds. The RTA and the city of Chicago enacted these tax increases both effective April 1st of this year. The collection mechanisms for these taxes result in a lag between when the tax is paid and when the RTA receives the funds. The sales tax paid by a consumer to a retailer in April will be received by the RTA from the state in July. The real estate transfer tax paid in April, we believe, will be received by the CTA from the city of Chicago in late May or early June. The traditional 25% state match on the increased taxes will not take effect until January 1, 2009.

The additional operating funds provided by the new legislation enable the Service Boards to forgo planned service cuts, fare increases and layoffs. As such, the Service Boards are operating at a level that requires funding at a higher amount provided by the new taxes. However, the funds will not arrive until later this year. Consequently, we expect that we will need to bridge this mismatch in timing through the working cash borrowing. In recognition of these cash flow needs, the legislation adopted earlier this year amended the RTA Act to temporarily authorize the RTA to issue up to an additional \$300 million in working cash notes.

This cash flow challenge is particularly critical with regard to ADA paratransit service. In 2007, the RTA borrowed \$40 million to provide funding for this service in advance of receiving public funding, which we did receive in late 2007. The RTA needs to repay this borrowing in September. However, because of the lag in receiving funding, there remains a cash flow borrowing need. The RTA has been providing funding to Pace for ADA paratransit operations in advance of the receipt of the funding for ADA paratransit service. Up to this point, the RTA has been able to provide Pace with funds because the RTA has not yet repaid its 2007 borrowing. The RTA will now need to begin the process of arranging a borrowing of working cash funds in order to repay the \$40 million borrowing. Additionally, the CTA has indicated that the funding for 2008 falls short of its operating needs by \$16 million because the increased taxes cover only nine months.

The proposed ordinance authorizes working cash related borrowing of up to \$80 million, \$56 million for the needs identified, and an additional \$24 million for unforeseen needs, such as an unexpected delay in the receipt of funding or a drop in funding. We certainly will not borrow any additional funds unless necessary. Amounts borrowed would be repaid from the receipts of the new additional operating funding.

Committee Chairman Magalis commented that when the budget was put together, it was anticipated that legislative action would help provide revenues. We also knew we would have a transitional problem as far as when revenues would actually be received. The legislation authorized the RTA to take the action recommended. He added this was a good way to bridge the gap and is absolutely mandatory that we do this.

Director Coulson asked who the lenders were and if it had to be a bank. Mr. Costello responded that the \$40 million borrowed in 2007 was with Bank of America. He added that it would most likely be bank, but did not have to be. We could issue notes that would go into the capital markets. Director Coulson followed by asking what the interest rate is that we are paying. Mr. Costello answered the rate was low, and for a note of this amount and duration it would probably be around 2%.

Committee Chairman Magalis pointed out that there is specific language in the ordinance that sets forth what guidelines we have to use in borrowing. It restricts us to a maximum of \$80 million. It talks about the amount of time that we can assume the debt, for 24 months. It talks about the interest rate on the working cash note not to be in excess of that permitted by law. Then the prepayment premiums for the working cash, 2%, as well as the payable for the working cash note of 2%. The guidelines are in the ordinance.

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

5 Ayes Directors Magalis, Riley, Rosenberg, Topinka, and Troiani

Ordinance amending the 2008 budget

Mr. Costello began by explaining the proposed ordinance amends the 2008 budget to reflect the additional operating funds established on February 21, 2008 by RTA Board Ordinance 2008-05 that amended the Service Boards' 2008 operating budget marks to increase the funds provided by Public Law 95-0708 in January 2008.

The additional amount to Pace includes \$20.0 million for a Suburban Community Mobility Fund as required by law. In addition, Ordinance 2008-05 provided \$3.75 million to Pace reflecting the requirement for the RTA to allocate that amount in 2008 to Pace for the operation of programs to access job markets for residents in south suburban Cook County.

The proposed ordinance reflects the Public Law 95-0708 requirement of funding in 2008 for region-wide ADA paratransit operations totaling \$100 million. Pace had estimated a 2008 ADA paratransit deficit of \$85.6 million leaving a balance of \$14.4 million that will be held in a reserve by the RTA for funding additional 2008 needs or ADA paratransit services in future years. To meet the requirements of the Act, the 2008 budget for ADA paratransit service, in the proposed ordinance, establishes a 10% recovery ratio. The budget submitted by Pace for 2008 reflected a recovery ratio of 8.9%. RTA staff noted that they are working with Pace staff to address this issue – which may require that Pace take such actions as reducing costs or increasing fares to achieve a 10% ADA paratransit recovery ratio in 2008.

The amended budget in the proposed ordinance for the CTA reflects funding for CTA operations of \$16 million additional to the amount provided by RTA Ordinance 2008-05 based on an analysis by CTA staff that indicated a need for public funding at an amount \$16 million more than the level established by the RTA Board. This reflects the fact that the RTA system will receive less than a full year of new funding in 2008, yet will incur a full year of operating costs. RTA staff had indicated to the CTA staff an intention to recommend to the RTA Board that the Board authorize the issuance of working cash notes, and use that borrowing to increase the public funding amount by \$16 million to the CTA for operations in 2008.

Finally, the proposed ordinance appropriates funding to reimburse the Loss Financing Plan for the purchase of insurance to avoid further eroding the Plan's fund, and provide time for the RTA, CTA, Metra, and Pace to determine an appropriate approach to address the long-term financial stability of the Plan's fund.

Committee Chairman Magalis commented this is a very aggressive schedule of activities we are going to try to accomplish. This is the first budget we are putting together after the new legislation. It's certainly going to be a lot of work for the Service Boards to put together this information, but it meets the Auditor General's recommendations, and it certainly meets the new legislative intent for the RTA Board.

Director Troiani then 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:

5 Ayes Directors Magalis, Riley, Rosenberg, Topinka, and Troiani

Ordinance approving the 2009 Business Plan Call

Mr. Costello requested that the Finance Committee approve and release the "business plan call" which begins the process of developing the budget for 2009. Staff noted the changed name from the "budget call" to reflect the more comprehensive financial information developed in this process. Staff noted that this requires ten-year projections of revenues, expenses, assets and liabilities – information which should provide a better ability to assess long-term financial stability of the RTA system. Staff identified the important dates in the upcoming months for this process, and provided a summary of the current economic environment.

Committee Chairman Magalis commented that there is a major shift and a lot of work to be done with the 2009 budget as compared to the 2008 budget. We have the support of the Service Boards in working toward meeting the expectations of the ordinance. Mr. Schlickman stated that we have been working closely with the Service Boards on all of the mandates from the new legislation, including those that affect the 2009 and 2008 budgets.

RTA Chairman Reilly commented that the legislation made some changes in how the funds flow, which funds go by formula, which funds we control, and gave us additional powers to withhold funds under certain circumstances. He recommended that at the next Finance Committee meeting staff provide a review of what we can do and what we can't do. It would be a good reminder for seasoned Board members, and informative for the new members.

Committee Chairman Magalis then pointed out that one of the major things that's missing is the capital funding. Mr. Schlickman responded that the Executive Directors from the Service Board would make a presentation on their capital needs at the Board meeting.

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

5 Ayes Directors Magalis, Riley, Rosenberg, Topinka, and Troiani

ADJOURNMENT

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

5 Ayes Directors Magalis, Riley, Rosenberg, Topinka, and Troiani

The meeting adjourned at 1015 a.m.

Audrey Macleannan

AUDREY MACLENNAN
Secretary of the Authority