

**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, May 4, 2006** at 9:05 a.m., in Suite 1550, 175 West Jackson Blvd., Chicago, Illinois, pursuant to notice.

Committee Chairman Dwight A. Magalis presided.

**ROLL CALL**

Present:	Dwight A. Magalis Fred T.L. Norris Patrick V. Riley, Jr. Michael Rosenberg Douglas M. Troiani Rev. Addie L. Wyatt
Absent:	Carole L. Brown
Others:	Mary M. McDonald RTA Chairman Jim Reilly

**Reading and approval of minutes from the public session held on April 6, 2006**

Director Norris moved, and Director Riley seconded approval of the minutes from the public session held on April 6, 2006. The motion carried on the following roll call vote:

5 Ayes	Directors Magalis, Norris, Riley, Rosenberg and Troiani
1 Present	Director Wyatt
1 Absent	Director Brown

**Report on the operating financial results for February 2006**

Mr. Joseph Costello, RTA Senior Deputy Executive Director of Finance and Administration presented an overview of the operating financial results through February. Through February, the combined net results of the Service Boards of \$141.9 million were favorable to budget by \$18.9 million, or 11.7%. Each Service Board had favorable results. The combined revenues were up by \$7.5 million, while expenses were \$11.4 million favorable to budget. The favorable results are attributable mostly to higher than budgeted farebox revenue and lower than budgeted fuel expense. Compared to last year combined net results were \$0.8 million favorable.

**APPROVED BY THE FINANCE COMMITTEE  
JUNE 22, 2006**

The system-generated revenue recovery ratio for the region of 52.4% closed 5.7 points higher than budget due to favorable revenues and expenses. Each Service Board posted favorable results. Compared to last year, the system-generated revenue recovery ratio was 2.6 points higher.

Through February, the CTA's revenues were \$5.9 million favorable to budget. Farebox revenue increased \$4.6 million primarily due to the fare change in January that eliminated paper transfers. As a result of the fare increase, pass revenue now comprises 38% of the total fare revenue, which is a 57% increase over prior year. Other, non-pass, farebox revenue declined 6.8% from previous year. Operating expenses were favorable to budget by \$4.6 million or 2.7% due mostly to lower security, paratransit costs, fuel prices, vacancies, and timing differences. The average fuel price through February of \$1.92 per gallon was 8¢ lower than budget due to a fuel swap. The fuel swap reduced the average fuel price by 18¢. Compared to last year, fuel price per gallon of \$1.85 was 7¢ higher.

Through February, Metra's revenues were favorable to budget by \$1.7 million. Farebox revenues exceeded budget by \$0.7 million due mostly to stockpiling of ten-ride tickets in January prior to the February fare increase. Higher ridership on the North Central, SouthWest Service, and UP-West lines as a result of service upgrades and changes also attributed to higher farebox revenue. Expanded and modified schedules on these lines took effect at the end of January. Expenses were favorable by \$5.5 million primarily due to lower than budgeted operations, fuel, power, insurance, and regional services. The average fuel price for the first two months of \$1.86 per gallon was 4¢ lower than budget but 54¢ higher than last year's price of \$1.32. Metra has a favorable fuel purchase contract that expires at the end of June. In the second half of the year, Metra expects to exceed their budget of \$1.90 per gallon.

Through February, Pace's revenues of \$9.7 million was \$0.2 million or 1.6% lower than budget due to unfavorable farebox revenues of \$0.3 million. Lower farebox revenue is attributable to lower average fare as a result of an increased number of riders using 7-day passes since CTA eliminated paper transfers. Expenses of \$26.9 million were favorable to budget by \$1.3 million due to lower ADA paratransit, operations, administration, and fuel expenses. Fuel prices per gallon through February of \$1.99 were 3¢ per gallon over budget and 53¢ per gallon higher than last year.

Through February, region-wide ridership of 94.4 million was 0.4 million higher than budget and 1.4 million or 1.5% higher than previous year. The CTA was slightly lower than budget, while Metra and Pace posted favorable results. Each Service Board posted favorable results compared to prior year. The CTA, Metra and Pace are ahead of last year's figure by 0.9%, 4.6% and 3.1% respectively. These ridership gains have driven farebox revenues to a total that is \$4.9 million greater than budget.

Preliminary sales tax for February of \$54.2 million was \$0.4 million or 0.8% lower than budget and \$1.3 million or 2.4% higher than last year. Sales tax receipts through February of \$112.4 million were \$3.8 million or 3.5% higher than budget and \$7.2 million or 6.8% higher than prior year.

Through February, several conditions indicate a promising year for the public transit system in the region. Combined ridership was favorable to both budget and prior year. Each Service Board posted favorable ridership results compared to prior year with a system-wide increase of 1.5%. Service expansions on three Metra lines and the Dan Ryan Expressway reconstruction project positively influence the region-wide ridership. Preliminary data indicate that since the Dan Ryan construction, Metra gained 2,000 riders/weekday spread among the Metra Electric District, SouthWest Service, and Rock Island lines; and CTA gained approximately 1,300 riders.

Sales tax increased 6.8% over prior year, in part, thanks to record holiday gift card sales in 2005 and a warm January.

Through February, combined fuel expense for the three Service Boards of \$16.8 million was favorable to budget by \$1.6 million or 8.5% due mostly to favorable fuel purchase contracts and a fuel swap. However, through April, gasoline prices rose 18% over last year and continue to climb. April gas prices increased 29¢ per gallon over March and 42¢ per gallon over a year ago.

Director Rosenberg requested a calculation on the impact on Metra post June, when their fuel contract expires. Specifically, he was looking for their current cost of fuel, numbers of gallons used, or something that might show what the potential impact would be on their operating line. Mr. Costello responded that we have the consumption and the projected pricing and would do the calculations and forward it to the Board.

Committee Chairman Magalis commented that with the sales tax and ridership being up, this is strengthening our position somewhat, and with the Service Boards trying to keep their costs down certainly has shown a benefit.

#### **Ordinance authorizing a contract for a Financial Advisor**

Mr. Costello explained that the requested contract with the Public Financial Management Inc. (PFM), to serve as financial advisor to the RTA will support RTA staff on transactions such as bond issuance, interest rate swap agreements and bond proceeds investments. The RTA conducted a competitive bid process for these services. Of nine bidders, RTA staff found PFM to be the most qualified. PFM is the leading US financial and investment advisor with 27 US offices. The firm is New York-based, which is an important aspect regarding relationships with the rating agencies and investment banks, but will also have a local presence with an office opening next month in Chicago. PFM has a great deal of experience serving transit agencies with quite a lengthy list of references, including MARTA, DART, WMATA, as well as the RTDs in Denver, Houston, Los Angeles, Philadelphia, San Francisco, Seattle, and Boston. In addition, PFM's pricing was one of the lowest of the nine bidders. PFM has proposed to use The Knight Group, or TKG, an MBE firm located in Chicago, as a subcontractor.

Committee Chairman Magalis commented that looking at the market and coming back with a recommendation was something the Board had requested about a year earlier. He also pointed out that he was pleased to see that we selected a firm that is familiar with every issue we have. The rate swap has been a fascinating tool we have used in the past. He added that PFM's transit background will be a real benefit.

Director Rosenberg pointed out that Director Brown, who was not in attendance, had expressed strong interest in this issue. He then asked if she had provided any input prior to the meeting. He also questioned the lack of presence in Chicago for so long. Mr. Stephen Schlickman, RTA Executive Director replied that he had spoken to Director Brown. He stated that she expressed some concern about PFM not being in Chicago, and there are several financial institutions that did bid who are located here. He then pointed out that based on the evaluation of proposals received PFM was far above the other submittals. Mr. Costello added that PFM indicated the reason they decided to open a Chicago office, is they feel that they have not done as well in the Chicago market as they would like and feel if they have a stronger local presence, they will be able to remedy this situation. Mr. Costello pointed out that PFM is not completely absent from Chicago, as they are on the CTA list of financial advisors. They have done some work for the city of Chicago and the Toll Authority.

Director Norris 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:

6 Ayes	Directors Magalis, Norris, Riley, Rosenberg, Troiani, and Wyatt
1 Absent	Director Brown

**ADJOURNMENT**

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

6 Ayes	Directors Magalis, Norris, Riley, Rosenberg, Troiani, and Wyatt
1 Absent	Director Brown

The meeting adjourned at 9:15 a.m.

*Audrey Macleannan*  
AUDREY MACLENNAN  
Secretary of the Authority