

**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, July 16, 2009** at 8:50 a.m., in Suite 1550, 175 West Jackson Blvd., Chicago, Illinois, pursuant to notice.

Committee Chairman Dwight A. Magalis presided.

ROLL CALL

Committee Members: James Buchanan
Patrick J. Durante
Al Jourdan
Dwight A. Magalis
Patrick V. Riley, Jr.
Michael Rosenberg
Michael Scott
Judy Baar Topinka
Douglas M. Troiani

Other Board Members: Jan Carlson
William R. Coulson
Rev. L. Tyrone Crider, Sr.
Phil Fuentes
J.D. Ross
Bishop Horace E. Smith, M.D.
RTA Chairman Jim Reilly

Staff Participants: Stephen Schlickman, Executive Director
Joseph Costello, SDED, Finance & Administration
Andrew Gruber, SDED, Legal & Governmental Affairs

Others: Richard Kwasneski, Chairman, Pace
T.J. Ross, Executive Director, Pace

Ordinance amending the Capital and Operating budgets

Mr. Costello explained that this agenda item actually has more than one component. The first component addresses the state capital funds. The RTA had previously assumed a new state capital funding program of \$3 billion over the years 2009 through 2014. Earlier this year, the governor signed the mini-capital bill that appropriated \$900 million for public transportation projects in northeastern Illinois. On July 13th, the governor signed the Illinois Jobs Now capital bill that provides another \$1.8 billion for regional transit projects. Staff recommends that the RTA funding marks be amended to incorporate the actual funding, incorporating them equally beginning in 2010 through 2013. With this adjustment to the RTA

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

everybody doesn't give a little, the time is coming when the system is going to collapse. During one of the meetings, Director Riley said that in any good compromise, there has to be something for everybody to dislike. That's what compromise is. RTA Chairman Reilly then detailed the proposal, for which he said he takes responsibility. Pace would be required to raise fares and effectuate other efficiencies. Pace could be required to use \$9 million of its own funds out of stimulus funds, which they don't want to do. Only then and only if needed, the last \$8 million would be covered by regional 5307 dollars. Everybody wants to talk about alternatives. He pointed out he has not heard one workable alternative that would even come close to getting 12 votes. There may come a day when we can return to Springfield and try for additional funding, but the state's broke. We can try in Washington as part of the reauthorization, but the administration already said that the reauthorization is at least 18 months off. So right now we have got real choices to make, and none of them are great choices. We have got to decide now how we are going to deal with this problem. He added that in his opinion, we should not postpone. There are others who disagree with that, but he just doesn't know what's going to be different in August other than we are going to be that much close to doomsday. The riders need to know. Pace needs to know. Pace needs to know what we are going to require of them, and they need our backing to do it. We have spent an amazing amount of time on a \$20 million issue. This is an important issue, which we have got to deal with as responsible RTA directors.

Committee Chairman Magalis then stated that this is an item that has already been delayed 60 days. The concern that we've heard from Pace is that paratransit, based on Pace's review and analysis, would come to a halt in October of this year. They asked us to move forward and to fund paratransit with the additional money that was needed to continue to operate. What Chairman Reilly has done is come back with a compromise that basically came out of the meeting that we had in trying to find a way to bring people together; and that was what those of us that attended that meeting were directed to do by this Board. The chairman came up with a good recommendation that would allow us to move forward so Pace knows what they are dealing with and that they would have somewhat adequate time, although it's already 60 days later than what it should be, because, bottom line, once we vote on this, the way the statute works is that Pace then has 30 days before they've got to go back and adjust their budget and come back to us. So you are talking about August, you are talking about September before you know it, and you are talking about an October date that is a crisis. We are dealing with \$20 million of the most important dollars that we can talk about. We are talking about ADA paratransit. We are talking about people that have a very difficult time getting around. The other thing that we are talking about is a regional service. When that program was consolidated from CTA to Pace, and put under one Board, that Board then had a regional responsibility to provide that service. That's a tough position to be in when you don't have the ability to write the checks to provide that service. We have to have the service by federal law. We have to have it from a moral standpoint and for the need of the people that utilize that service. The issue of whether we have it or not isn't even the issue any longer; it's how we actually come up with roughly \$8 million out of \$20 million. The \$8 million that is in controversy at this point deals with the 5307 dollars. The reason people don't want to use that is because 58% comes out of the CTA's pocket, 34% comes out of Metra and 8% out of Pace. That puts it on a regional basis of sharing responsibility for that \$8 million. This is the part of the proposal that's meeting resistance. But without the \$8 million in this document, you don't have a program that Pace can deal with. In fact, what we would be telling Pace is that without the \$8 million, we are saying it's okay to raise fares now, and it's okay to spend \$9 million of their own money. But the \$8 million that Pace needs that they can't generate on their own, that only the RTA Board can generate, will maybe be dealt with later. This has been suggested as a potential proposal. This isn't dealing with the issue. He concluded his remarks by stating that he hoped the Board will support Chairman Reilly's proposal as described and as received in the document, so we can move forward and fund paratransit at the total amount that they are required to have in order to balance their budget and keep the service running.

Pace Chairman Richard Kwasneski addressed the Committee. He commented that this is a continuing situation where as Pace moves forward through the evolution of trying to get this program to what we all know we need it to get to, there's money that needs to be spent, and a lot of those projects are significant dollar projects. Central dispatch for example - we are looking at utilizing those capital dollars that we got for vehicles, actually, in the city of Chicago so that, as we get down the road, we can be in a position where we can better negotiate with contractors. If we are consistently having a situation where our contractors are utilizing their own vehicles, there is less of a pool of people to deal with on trying to get better quality for our riders and a consistent price. So we are continuing to try to do those efficiencies. But, Chairman Reilly's suggestion on how to pull this together on a temporary basis to get us through this year is certainly warranted. We certainly don't want to utilize those \$9 million that we would be utilizing for capital for this operation. But, we think it's a viable short-term alternative to try to get this moved to the next step. All of our efficiencies which have been shown in the audits and what we have worked on with RTA staff have said we need to make some of these capital improvements in order to save some of those dollars down the road. This is a very important service. These riders need to be taken where they want to go and when they want to go there, and we are trying to do whatever we can to make that easier for them. Pace is willing to continue to work with the RTA on finding an affirmative solution towards this. But, this is a regional situation.

Committee Chairman Magalis asked what percentage of ADA Paratransit service is for the city of Chicago. Mr. Kwasneski replied that it was 80%. He added that a great deal of some of the improvements and some of the things that Pace would be making with some of these capital dollars certainly goes into the city, probably more significantly than the suburbs because it's a more sophisticated operation and system in the city because of the demand and the riders.

Committee Chairman Magalis asked at what point would Pace be drawing revenues from suburban transit system needs to fund the paratransit, which 80% goes to the city of Chicago, if the RTA does provide Pace with funding. Mr. Kwasneski replied that as a Board position, Pace is not going to continue to transfer suburban bus dollars into regional ADA. It just doesn't make sense. From the dollars that we know that we have allocated to Pace, we're not going to be able to continue after October. Certainly we'd have to make some significant changes even to be able to finish off the balance of the year with the minimal amount of revenues that would be able to be put forth. Pace wants to come to a long-term solution. We know that can't be done in the next 60 or 90 days, but that's something he has committed to Chairman Reilly. We need to form some kind of a group consensus and committee to try to move this forward for a long-term permanent solution. We can't take the capital dollars that were allocated when we went to the legislature and basically say we need those capital dollars for ADA capital improvements, and doing it on a one-year basis. He and Chairman Reilly talked about the need to go back to Springfield to talk to the legislative leaders, to say we need to do that for this year, but certainly we can't do this as a five-year stint and use that \$45 million and then have no money for capital for some of the things that we need for central dispatch and some of the of the other infrastructure and vehicle improvements for the riders in the city of Chicago and the suburbs.

Committee Chairman Magalis asked with regard to the fare increase proposal, what kind of process does Pace have to go through before they can actually pass a fare increase and get it up and actually start receiving revenue. Mr. T.J. Ross explained that they have a standard public hearing process. With the public hearing process, we have to give 30-days notice for the public hearings, go through the public hearing process, then come back to the Board and make a recommendation. The Board would then have to act on fare increases. If we knew we were going to do that, it would have to go to the August Board meeting, ask for permission to go out to public hearing, and it could be as late as October before we

could get approval for a fare increase on ADA. Then we have to put that in place and let the public know, and that takes time. Realistically, a fare increase in October is unrealistic. Mr. Kwasneski added that those dollars wouldn't be generated with any significance until next year.

Committee Chairman Magalis then asked if Mr. Kwasneski, as the chairman of Pace, if he would be willing to recommend a fare increase without the package Chairman Reilly has proposed. Mr. Kwasneski answered not at this time. He added that as a long-term solution, we certainly know that there needs to be an increase, but the increase is not going to be the sole solution. We need to look at this as a whole and move this forward. Pace can do it, but it's only going to solve part of the problem.

Director Rosenberg commented that he appreciates the efforts Chairman Reilly has put forth with Pace and a RTA Board delegation. He then stated that he did not think there's anybody in the room who could conceive of a collapse of the paratransit system. He also said this at the last Board meeting, as Chairman of the Mobility Limited Committee - it's just not going to happen. Chairman Reilly listed three elements of this plan; one being to allow Pace to use part of the mini-capital \$45 million; another, encouraging the Pace Board to seek a fare increase and to institute other efficiencies in the paratransit system; and the use of 5307 funds. In light of the issues that would pass this Board and the one that won't pass, he suggested that these considerations be split into separate ordinances. He then suggested considering these ordinances separately. The first would give Pace the authority to use \$9 million of the \$45 million mini-capital; the second would deal with fare increases and the other efficiencies; and the third would be the use of 5307 regional funds.

RTA Chairman Reilly then asked Mr. Gruber to explain the parliamentary procedure for splitting and considering the items discussed. Mr. Gruber stated for purposes of clarification, there are two ordinances that are currently before the Board, neither of which has received a motion to act on yet. One ordinance would amend the operating marks. The other would amend the capital marks. These two ordinances together are designed to implement the proposal that Chairman Reilly has discussed. Director Rosenberg is suggesting that we consider those two ordinances together but that we, essentially, divide the question into three separate parts and that we postpone consideration of the part that recommends the use of the \$8 million of regional 5307 funds. Director Rosenberg confirmed that was his recommendation.

Committee Chairman Magalis pointed out that we have to get the item that's on the agenda on the floor first of all, and then accept discussion about it, and then address the motions to separate and postpone. Mr. Gruber then pointed out that a member of the Finance Committee would make a motion to approve the ordinances together, and then Director Rosenberg's separate motions would be considered.

Director Riley moved and Committee Chairman Magalis seconded putting the two ordinances for capital and operating marks amendments on the agenda. Mr. Gruber then explained that before there is a vote on the motion to consider those two ordinances, Director Rosenberg, wanted to offer a motion to divide the question into three parts and to do that as a separate vote, dividing the question into three parts. Director Rosenberg made the motion that the Committee split the ordinances that are currently on the floor into three separate motions. Director Durante seconded the motion.

Director Coulson asked Director Rosenberg what he proposed be done to close the \$8 million gap that results. Director Rosenberg replied that if we passed the ordinance allowing Pace to use the \$9 million in mini-capital money and ask them to make fare increases, there would be enough money to buy us a little more time to consider the \$8 million portion of the proposal, and the system will not collapse October 1st.

Mr. Kwasneski stated that he understood there are different controversies as part of the different pieces of this package, but it would be extremely difficult for the Pace Board to move forward with an increase in fares and utilizing the money that we know needs to go for capital for this operation without solving the problem. With the expansions in the ADA program, the additional ridership, the capital that's necessary to operate these programs, there's going to be a time where we all need to sit down and try to work out a long-term solution. The short-term solution is everybody contributes to this. Pace does not want to spend \$9 million of its capital funds for operations this year; but they are willing to do that if there is some kind of a package agreement. Pace cannot go out on a limb and just raise the rates on paratransit riders without solving the situation as a long-term solution. We can't ask the riders to spend more money and not solve the problem.

Committee Chairman Magalis commented that the proposal is for Pace to spend money and raise fares, which they already can do. When it comes down to the money that they can't spend out of their own pocket because they have no place to get it, they are not willing to give that. So that's the issue. Mr. Kwasneski responded that the Pace Board is going to have a hard time just raising the rates and spending \$9 million without some kind of commitment that they are going to get the additional \$8 million. This affects the people in the region, the paratransit riders in the city of Chicago. It's not a CTA-Metra-Pace issue, it's a regional issue that we all need to address.

Committee Chairman Magalis reiterated that the way the 5307 money would be broken down is 58% of that \$8 million would come out of CTA; 34% would come out of Metra; and 8% would come out of Pace.

Director Coulson remarked that the \$8 million that we are fighting over here is regional money, not each Service Board's money. The regional money should go where the regional needs are at any particular time. Today it's Pace Paratransit, which needs the money. Tomorrow it could be CTA, Metra, or Pace. They will ask us to transfer money to satisfy those needs, and we should do that. This looks to me like nothing more than a turf battle over \$8 million, which is not a lot of money in the ultimate scheme of things. The public expects more of the RTA Board than to fight these little turf battles for a few dollars, especially when the victims of this turf battle are going to be paratransit riders. We should do our job as a Board. We are the Regional Transportation Authority, and we have a duty to reassign money where it's needed. He urged adoption of the ordinance.

Director Buchanan asked why Pace didn't figure in this shortage of dollars. If we take a look at capital and we take a look at new equipment, what good are capital projects and equipment going to do when there is no money to provide operating expenses to the paratransit system. Mr. Kwasneski replied that if we look at the capital aspect, what we have learned over the past four years is that as we continue to try to make new efficiencies in the program, some of these efficiencies for continued operations would result in capital improvements, such as a central dispatch that would be more efficient for the operators to be able to get to the riders. When Pace got the \$45 million, to be able to utilize that for ADA paratransit vehicles, and if they had 500 vehicles, Pace could go to a number of contractors who can provide this service for us. But when all that is on the contractors, they incorporate all those costs plus administrative fees, and raise the overall operational costs. So in the long -term, we need to utilize those capital dollars for the capital purposes to make those efficiencies to run better operations to make us more efficient. We knew a number of months ago that October was going to be the point where we were not going to be able to continue to operate the way we were. Pace has also had an increase in ridership over the past few years. Additional ridership raises the cost of the operations.

Committee Chairman Magalis stated that the state statute that was approved for paratransit, states we are required to allocate \$100 million. He then asked Mr. Costello to explain where that budget is and why we even have this shortfall at this point and from his analysis rather than from Pace's. Mr. Costello then explained that the legislation that became effective January 18th of last year required that we provide \$100 million as a special allocation to ADA paratransit. That amount varies by the movement of sales tax, which has moved down not up in 2009. The funding for ADA has actually decreased to \$89 million, which is what the funding mark was that the Board adopted at the June meeting. Part of the challenge of being able to cover the ADA paratransit deficit is that the funding for ADA has decreased. He added that the latest projection from Pace, is they have decreased their estimate of deficit for this year from \$119 million to \$109 million. So the \$89 million of funding versus the \$109 million estimated deficit is the \$20 million gap that we are discussing.

Mr. Gruber then restated the motion on the table to divide the question into three parts. He then stated that if that motion were to be adopted, after that, there would then be separate motions that could be offered by a member of the Finance Committee on each of the three elements that have been divided. Element One would be the fare increase, the RTA Board endorsing Pace doing a fare increase and implementing efficiencies. Element Two would be the use of \$9 million from the mini-cap capital bill. And Element Three would be the use of \$8 million in regional 5307 funds. Each of those would then receive its own motion, and a member of the Finance Committee could also, if they wanted, offer a motion to postpone consideration of any of those three elements.

Committee Chairman Magalis restated that a motion by Director Rosenberg and a second by Director Durante was been made to divide the question. He then called for a roll call vote. The motion carried by the following roll call vote:

7 Ayes Directors Buchanan, Durante, Jourdan, Rosenberg, Scott, Topinka, Troiani
2 Nays Directors Magalis and Riley

Committee Chairman Magalis then called for action on one of the three elements. Director Rosenberg moved, and Director Durante seconded recommendation to approve the portion dealing with the use of \$9 million of the mini-capital. The motion carried on the following roll call vote:

7 Ayes Directors Buchanan, Durante, Jourdan, Rosenberg, Scott, Topinka, Troiani
2 Nays Directors Magalis and Riley

Director Rosenberg then moved and Director Durante seconded the recommendation to approve that the Pace Board consider a fare increase and the attendant efficiencies that have been laid out in the original motion. The motion carried on the following roll call vote:

7 Ayes Directors Buchanan, Durante, Jourdan, Rosenberg, Scott, Topinka, Troiani
2 Nays Directors Magalis and Riley

Committee Chairman Magalis then pointed out that there is a third motion to postpone consideration of using \$8 million in 5307 funds. Mr. Gruber clarified that a member of the Finance Committee would first make a motion to approve this question and then, Director Rosenberg's motion to postpone would be in order. He further stated that the \$8 million would be available only upon a certification by the Executive Director, Chairman of the Board and Chairman of the Finance Committee that the funds were, first of all, needed and, second, that the other steps that have already been outlined - the fare increase, the efficiencies and the use of the \$9 million, were proceeding.

Director Riley then moved and Director Magalis seconded the recommendation to approve the use of \$8 million in 5307 funds. No vote was called.

Director Rosenberg then moved and Director Durante seconded the recommendation to postpone consideration of using \$8 million in 5307 funds. The motion carried on the following roll call vote:

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| 7 Ayes | Directors Buchanan, Durante, Jourdan, Rosenberg, Scott, Topinka, Troiani |
| 2 Nays | Directors Magalis and Riley |

Director Ross asked if the full Board has the option of considering an item or does it have to come out of a committee. Mr. Gruber explained that the by-laws of the RTA provide that committees are to report items out to the full Board, and this committee has not recommended this item be moved to the Board. If a Board member wanted to offer that question to the full Board, then they could do so, and then there would be a separate vote because that item is properly on the Board's agenda, as well as the Finance Committee agenda.

Director Ross then asked if there is legislation that requires us to work in committee or is that a decision of this Board. Mr. Gruber responded that it's the Board's decision. The Board establishes committees pursuant to its by-laws. Director Ross then suggested that the Board give serious consideration to operating as a Committee as a Whole. He added that he felt this is the most important issue this Board has addressed since he's been a member. A majority of the Board members are, in a sense, disenfranchised because they are not members of that committee and although they can voice their opinions, they do not have a vote until it makes it to the Board, if it does. He expressed his concern with practice and stated that he believed it is wrong.

Mr. Kwasneski made a final statement that the Pace Board is not going to proceed with part of a solution because that's not the right way to do it and since we know we need to utilize those capital dollars for capital purposes and saving efficiencies for operations, and raising of the fares is only a short-term solution and puts more of that onus on the riders. Again, this is a regional issue. It is not a city-of-Chicago-versus-suburb issue. The people in the city of Chicago that utilize paratransit services are going to suffer because we are not addressing this issue.

Report on operating financial results for April 2009

Mr. Costello explained that the April year-to-date sales tax receipts of \$276.5 million are 5.4% less than budget but 8.9% greater than prior year.

