

**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, December 15, 2016 at 8:40 a.m., in Suite 1650, 175 West Jackson Blvd., Chicago, Illinois, pursuant to notice.

Committee Chairman Magalis presided.

**ROLL CALL**

**Committee members present (8):** Anderson, Buchanan, Coulson, DeWitte, Lewis, Melvin, Troiani, and Magalis

**Other Board members present:** Durante, Frega, Fuentes, Higgins, Hobson, Pang, Ross, and Chairman Dillard

**Approval of minutes from the meetings held on November 17, 2016 and November 30, 2016**

Director Lewis moved, and Director Melvin seconded that the minutes from the meetings held on November 17, 2016 and November 30, 2016 be approved as submitted. The motion carried on the following roll call vote:

8 Ayes: Directors Anderson, Buchanan, Coulson, DeWitte, Lewis, Melvin, Troiani and Magalis

**Report on Monthly Financial Results – October 2016**

Ms. Bea Reyna-Hickey provided a summary of the Service Board financial results for the year-to-date through October 2016. Ms. Reyna-Hickey stated that the regional unemployment rate increased to 5.6% in October, while the national unemployment rate held steady at 4.9%. RTA system ridership was 3.6% unfavorable to budget through October and 3.3% lower than prior year. Ms. Reyna-Hickey noted that the Cubs playoff games were not enough to offset the base ridership losses we have been experiencing.

System operating revenue was \$9.2 million or 1.0% unfavorable to budget through October due to lagging ridership and lower accrual of the State reduced fare funding. Metra was the only Service Board with favorable fare revenue and operating revenue results. Pace Suburban Service and Pace ADA Paratransit posted the largest unfavorable variances, at 9.1% and 13.0% under budget, respectively. Regional public funding, however, was \$20.5 million or 1.7% favorable to budget largely due to favorable RETT results.

Ms. Reyna-Hickey went on to say that system operating expenses through October were \$55.8 million or 2.5% favorable to budget. Each Service Board reported favorable to budget expenses year-to-date, largely attributable to low fuel prices. Favorable public funding and expense results produced a net result for the system which was \$67.1 million favorable to budget, an improvement from prior month. Ms. Reyna-Hickey stated that the system-wide recovery ratio of 51.5% exceeded budget by 1.0 percentage points.

**APPROVED BY THE FINANCE COMMITTEE  
MARCH 16, 2017**

Director Hobson asked how Service Board surpluses are allocated. Ms. Reyna-Hickey replied that positive budget variances (PBV) are retained by the Service Boards for future capital funding. The Service Boards can also use PBV for one-time operating purposes, with RTA Board approval.

### **Semi-Annual Report on Project Management Oversight**

Ms. Violet Gunka-Gurgul provided a summary of the PMO report that was provided to Board members as part of their briefing. Ms. Gunka-Gurgul stated that the report is designed to make it straightforward for the Board to easily see progress, issues, and risks for transit capital projects in the region. Ms. Gunka-Gurgul highlighted that the PMO program includes oversight of all state-funded capital projects and all other projects with budgets of \$10 million or more. It was noted that the 2015 and 2016 capital programs do not include any state funding so the state-funded projects in this report are part of prior years' programs. The RTA implements the PMO program to fulfill the requirements in the RTA Act to oversee the Service Boards' capital programs and expenditures. Ms. Gunka-Gurgul reported that all projects are either on budget or under budget. If project delays caused by state funding are excluded, 81% of projects are on schedule. However, uncertainty in state capital funding is causing nine more projects to be behind schedule, making for more than half of the state-funded projects to have fallen behind. Ms. Gunka-Gurgul also reported that there are 20 projects that have never started and have been placed on hold due to the lack of state funding. These projects are not detailed in the PMO report since they were not active at the time when the state funding delays went into effect. Ms. Gunka-Gurgul highlighted that 81% of the projects are without change orders and the total cost of change orders represents 1% of the overall budget for state-funded projects.

Director Magalis asked if there is a standard for schedule adherence for capital projects. What is acceptable as far as schedule adherence 80%, 90%? Ms. Gunka-Gurgul replied that we would like to have high on-time schedule performance for projects. The projects that are behind schedule are behind by a short duration and the Service Boards are working on recovery schedules.

Director Hobson complimented the organization and the content of the PMO report. He said it was easy to read and understand the project status. Director Hobson also asked about costs associated with the state funding delays. Ms. Reyna-Hickey replied that we don't have a detailed impact by project and that may not be available until the projects move forward. However, the RTA has met with IDOT and the Service Boards to prioritize the active projects that will be funded first in order to minimize the costs associated with the funding delays. There was a lot of thoughtful consideration given to which projects moved forward. Ms. Leary also added that the RTA is having weekly conversations with IDOT to move these projects forward.

Director Hobson inquired whether the state representatives understand the effects of the funding delays and the additional costs associated with them. Chairman Dillard responded that he believes that the representatives are aware. He also asked Jeremy LaMarche to send a list of the delayed projects to the legislature.

Director Frega asked what the budget amount for the Pace bus procurement projects listed in the PMO report represents. Ms. Gunka-Gurgul responded that the total budget amount is for the maximum number of buses allowed to be purchased under these contracts. The full contract amounts may not be funded at this time. For example the CNG bus contract only has funding for the first 91 buses.

Director DeWitte asked about the Union Pacific West Line expansion project and whether the study or construction part of the project is being delayed due to the state funding. Ms. Gunka-Gurgul responded that it is the construction phase of the project that is being delayed.

Director Ross inquired at what point does the RTA staff see final documentation before project implementation? Ms. Reyna-Hickey responded that the RTA has a detailed grant process which requires RTA Capital staff to review and concur on project contracts and project scope changes. The RTA also has a requisition review process before the funds are reimbursed. In addition, IDOT also has its own review and approval process.

#### **Ordinance authorizing the Quarterly Capital Amendment for Fourth Quarter 2016**

Mr. Dave Spacek informed the Board that capital funding for 2016 is proposed to increase by \$136.0 million, primarily due to \$135.7 million of additional CTA bonds for the Red Line extension and *Your New Blue* initiatives. Service Board and local funds will increase by \$650,000 in 2016, comprised of \$350,000 of Pace positive budget variance (PBV) and a \$300,000 shift in federal Section 5307 funds by the CTA and Metra. Total revenue will remain unchanged in 2017-2021 although \$23.06 million will shift from Service Board and local funds to CTA bonds. Of the additional \$135.7 million of funding for the CTA, \$70 million will be programmed for completion of the environmental analysis and preliminary engineering for the Red Line extension initiative, necessary for future federal New Start funding consideration. The remaining \$65.66 million of funding for the CTA will be programmed for *Your New Blue* signalization work that was originally expected to be funded with state bonds. For Pace, the additional \$350,000 of funding from PBV will be used to secure permanent and temporary land easements for the Milwaukee Avenue Pulse Arterial Rapid Transit (ART) project.

Director DeWitte moved, and Director Lewis seconded that the ordinance be approved as submitted. The motion carried on the following roll call vote:

8 Ayes: Directors Andreson, Buchanan, Coulson, DeWitte, Lewis, Melvin, Troiani and Magalis

#### **Ordinance adopting the 2017 Budgets, 2018-2019 Financial Plans, and 2017-2021 Capital Programs of the Service Boards and Authority**

Mr. Bill Lachman began by thanking staff and gave a recap of the 2017 budget timeline. Mr. Lachman then summarized the public hearing schedule for the RTA and Service Boards, and thanked specific RTA directors for attending some of the hearings. Total revenue for 2017 operations is \$3.022 billion, primarily composed of RTA sales tax, Service Board operating revenue,

and state assistance. Total operating expenses for 2017 are projected to grow by 3.7% to \$2.976 billion. CTA represents 51% of regional expense, Metra 26%, Pace Suburban Service 8%, ADA Paratransit 6%, RTA debt service 7%, and RTA Agency expense 1.4%. The CTA's 2017 operating budget is balanced at \$1.524 billion and the CTA's 2017 recovery ratio of 54.9% exceeds the RTA requirement. Metra's 2017 operating budget is balanced at \$781.2 million and Metra's 2017 recovery ratio of 52.9% exceeds the RTA requirement. The Pace Suburban Service 2017 operating budget is balanced at \$228.6 million and Pace's 2017 recovery ratio of 30.3% meets the RTA requirement. The ADA Paratransit 2017 operating budget is balanced at \$175.0 million and the ADA Paratransit 2017 recovery ratio of 10.0% meets the statutory requirement.

Mr. Lachman summarized the 2017 recovery ratios for each of the Service Boards and the region, and stated the RTA had met with the Service Board CFOs earlier in the week to discuss potential actions to be taken if 2017 actual recovery ratios fall below budget, and also the prospect for a recovery ratio increase in the 2018 budget. He then reviewed the proposed uses of 2017 ICE funding for each Service Board, totaling \$12.8 million.

Mr. Lachman stated that the 2017 capital program totals \$1.8 billion, and the broader 2017-2021 capital program totals \$5.1 billion. The CTA's five-year capital expenditures are 69% of the total, boosted by bonding and the Tax Increment Financing (TIF) initiative. Metra's program is 24% of the five-year total, and Pace's program represents the remaining 7%. Federal funds provide more than two-thirds of the total five-year capital funding. The RTA, CTA, and Pace plan to issue a total of \$600 million in bonds over the next five years. Mr. Lachman then gave a detailed accounting of the five-year capital program expenditures by asset category. Rail Line Modernization is the largest category for investment at \$1.822 billion, or 36% of the five-year program, followed by Rolling Stock at \$1.3 billion, Support Facilities and Equipment at \$418 million, Track and Structure at \$264 million, and Electrical, Signal, and Communications at \$215 million.

Director Magalis touched on some of the important components of the budget including the recovery ratio, quarterly certification process, reserve policy and Service Board plans, as well as the lack of state capital and the resulting need to issue bonds. He expressed a desire to learn more about the innovative TIF process the CTA had used for capital funding. Director Magalis also asked staff to come up with a way to take a closer look at Service Board debt levels on an ongoing basis. Ms. Reyna-Hickey agreed to work on the debt analysis issue.

Director Troiani noted that the recovery ratio has been worsening and asked if we shouldn't have action plans in place right now. Mr. Lachman replied that staff will monitor revenue and expenses closely and if a problem develops we'll address it. Ms. Reyna-Hickey added that the action to be taken would depend on the nature of the shortfall and noted that the 2016 recovery ratio through October was 51.5%. She added that if the shortfall was caused by the State reducing the reduced fare reimbursement, the RTA could ask for relief from the 50% requirement.

Director Hobson noted that the recovery ratio was at 56% a few years ago and asked what we are doing differently that has brought it down. Ms. Reyna-Hickey stated that we are meeting the statutory requirement of 50% for the budget, but the RTA can't dictate fares to the Service Boards. Staff did talk to the Service Board CFOs about recovery ratios earlier in the week at a preliminary meeting for the 2018 budget season and will encourage them to continue to look at increasing fares.

Director Lewis asked if the 7% share of regional expenses attributable to debt service included the Service Boards' debt service as well, and if that could be broken out. Mr. Lachman replied no, that the 7% only included debt service on RTA bonds and that there is additional debt service in the CTA and Pace budgets. The budget group will look at a way to summarize the Service Board debt levels.

Director Lewis asked about the light attendance at the public hearings and wanted to know if all of the public hearings are required. Ms. Redden said that while only one public hearing is required for the operating budget, the capital program requires a hearing in each of the six counties. The RTA has also committed to making an effort to get out across the region, but will also look at other channels for communicating with the public.

Director Ross complimented staff on providing web access to watch the Board meetings, but noted there is a delay in the video. Ms. Redden said that this is a known problem which is being worked on.

Director Troiani moved, and Director Melvin seconded that the ordinance be approved as submitted. The motion carried on the following roll call vote:

8 Ayes: Directors Andreson, Buchanan, Coulson, DeWitte, Lewis, Melvin, Troiani and Magalis

#### **ADJOURNMENT**

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

8 Ayes: Directors Anderson, Buchanan, Coulson, DeWitte, Lewis, Melvin, Troiani and Magalis

The meeting ended at 9:40 a.m.

*Audrey MacLennan*

AUDREY MACLENNAN

Secretary of the Authority