



Regional Transportation Authority

175 West Jackson Blvd.
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Chicago, Illinois 60604
312-913-3200
rtachicago.org

Board Agenda

Finance Committee

Thursday, February 20, 2020

CMAP Board Room, Suite 800, 233 S. Wacker
Dr., Chicago, IL

9:00 a.m.

1. Roll Call

2. Approval of Minutes

2.a. From the meeting held on December 19, 2019

3. Action Items

3.a. Report on monthly financials for November and December, and resolutions certifying financial results - Fourth Quarter 1019

Description:

These resolutions certify the operating financial results of each Service Board and the region as a whole, through the fourth quarter of 2019, are substantially in accordance with budget.

ADJOURNMENT

**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 19, 2019** at 9:00 a.m., in Suite 1650, 175 W. Jackson Blvd., Chicago, Illinois, pursuant to notice.

Committee Chairman Melvin presided.

ROLL CALL

Committee members present (9): Coulson, Groven, Holt, Kotel, Lewis, Melvin, Ross, Sager, Troiani (phone)

Other Board members present: Andalcio, Carey, Frega, Fuentes, Higgins, Pang (@ #3), Chairman Dillard

Approval of minutes from the meeting held on November 21, 2019

Director Groven moved, and Director Lewis seconded that the minutes from the meeting held on November 21, 2019 be approved as submitted. The motion carried on the following roll call vote:

9 Ayes: Coulson, Groven, Holt, Kotel, Lewis, Melvin, Ross, Sager, Troiani

Report on Monthly Financial Results – October 2019

Ms. Eva De Laurentiis stated that the October results had improved the year-to-date net result. RTA system ridership through October was 1.9% unfavorable to budget and 3.0% lower than prior year. October is normally a high ridership month with students back in school, generally fair weather, and no major holidays. However, there was a CPS teacher strike for 11 days during the month, it snowed on Halloween, and CTA performed line cuts on the O'Hare branch of the Blue Line which disrupted service. These events all contributed to lower ridership this month than in the past. Operating revenue was \$16.8 million, or 1.7%, unfavorable to budget, primarily due to the lower level of reduced fare reimbursement (RFR) funding from the State. Pace had the largest operating revenue shortfall primarily due to unfavorable fare revenue from lower ridership.

Ms. De Laurentiis noted that public funding was \$27.3 million unfavorable to budget, as sales tax, PTF, and RETT receipts are all lagging. System-wide operating expenses were \$65.9 million or 2.8% favorable to budget, with each Service Board reporting favorable results. Pace had the most favorable expense result at 4.5% below budget. She explained that the good expense performance and public funding offset the unfavorable operating revenue, and the year-to-date system net result was \$21.7 million favorable to budget, an improvement of \$2.4 million from

the previous month's results. The regional recovery ratio of 51.5% was 0.8 points favorable to budget; however, the fare recovery ratio and all revenue recovery ratio were both lower than prior year due as Service Board expenses have increased while operating revenues are down slightly. Finally, Ms. De Laurentiis informed the Board that the Service Boards have done a good job controlling expenses to offset the revenue shortfalls and the RTA expects the regional recovery ratio to remain over the 50% level through the end of the year.

Director Lewis asked what initiatives the Service Boards have implemented to target "last mile" transit needs and improve ridership considering continued shortfalls. Ms. Reyna-Hickey replied that the RTA would work with Service Board staff to get more information. Subsequently, the Planning Department has advised that they will respond directly to Director Lewis.

Presentation of the Semi-Annual Project Management Oversight Report

Ms. Violet Gunka-Gurgul presented 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. There is a new capital bill passed by the General Assembly and signed by the Governor in June 2019, but the projects in this report are part of prior year's programs. RTA implements the PMO program to fulfill the requirements in the RTA Act to oversee Service Boards' capital programs and expenditures. She reported that there are 14 projects remaining in the state funded program. Three of those projects were completed in this reporting period. All state-funded projects are on budget. Ms. Gunka-Gurgul proceeded to report that 9 of the 14 state-funded projects are on schedule, with five projects behind schedule. The five projects behind schedule are 95th Street Terminal, Metra Hazel Crest Station, Metra Union Pacific North Line Bridges and Ravenswood Station, Union Pacific West Line Expansion and Pace Bus Improvement at the Joliet Gateway Center, which is currently on hold. She reported that 64% of the projects are without change orders and the total cost of change orders represents about 2% of the overall budget for the state-funded projects. Ms. Gunka-Gurgul concluded by highlighting and providing an overview of the CTA's Belmont and Jefferson Park station project, Metra's Deering bridge project, which was completed in this reporting period, and Pace's CNG Bus project.

Director Groven asked what defines value added. Ms. Gunka-Gurgul replied that it could be that once the project is started and parts of the station or project are not in a condition that was anticipated during the design phase, a decision is made to add additional work since the contractor is already mobilized and the project is underway so it is less costly to do the work. It is additional work added to the project.

Director Melvin asked if 64% of the projects not having change orders was a good number. Ms. Gunka-Gurgul responded that it is not unusual for construction projects to have change orders due to value being added to the projects and unforeseen conditions especially with projects that have underground work. She highlighted that the change order amount represents only about 2% of the total budget for the state funded program. Also, as the number of total projects in the program decreases, the percentages may seem higher because they are based on a smaller pool of projects.

Ordinances authorizing the Quarterly Capital Amendment to the 2019-2023 Capital Program

Ms. Tatiana Jane presented a request to approve two ordinances: the first was for an amendment to the 2019-2023 Capital program incorporating changes in program revenues and expenses for CTA, Metra and Pace. This request is for a total net funding increase to the regional five-year Capital Program of \$148.73M. This increase affects current and future years. The total net increase for CTA is \$125.77 million, \$22.95 million for Metra, and \$0.02 million for Pace. RTA staff reviewed these requests and found them to be justified as outlined in the ordinance request memo.

The second was a new project, for the scope and funding adjustment to Metra's Innovation, Coordination, and Enhancement (ICE) funded projects.

Director Ross moved, and Director Kotel seconded that the proposed ordinances be approved as submitted. The motion carried on the following roll call vote:

9 Ayes: Coulson, Groven, Holt, Kotel, Lewis, Melvin, Ross, Sager, Troiani

Ordinances adopting the 2020 Regional and Service Board Budgets

Ms. Reyna-Hickey began by thanking the RTA staff and Service Board leadership for their hard work and cooperation during the 2020 budget cycle. She briefly recapped the budget timeline which began with the issuance of the business plan call in May. Ms. Reyna-Hickey stated that all requisite county board presentations had been completed, and the RTA public hearings were held simultaneously on November 21st. Live streaming of the Finance Committee and Board meeting provided the public with the opportunity to watch and comment on the Service Board and RTA presentations. Ms. Reyna-Hickey noted that four people provided testimony at the public hearing, including representatives from the Metropolitan Planning Council, Chicagoland Chamber of Commerce, and Civic Committee of the Commercial Club. In addition, the RTA received public comments via email that were summarized in the Board memo.

Ms. Reyna-Hickey showed the total revenue for 2020 operations of \$3.1 billion by source, with sales tax receipts of \$1.3 billion being the largest revenue component at 42% of the total. Regional expenses of \$3.1 billion for 2020 operations are projected to grow by 2.2% from the 2019 estimate. RTA debt service on long-term bonds and short-term borrowing represents 7%

of total regional expenses, and the Agency budget of \$40.7 million represents 1.4% of the total. Ms. Reyna-Hickey noted that each Service Board budget was balanced and met or exceeded the recovery ratio requirement set by the RTA Board. The budgets combine to a regional recovery ratio of 50.2%. She emphasized that while the regional recovery ratio is budgeted lower than 2019's budgeted ratio, there is less downside risk because the Service Boards agreed to budget the State reduced fare reimbursement funding at the State appropriated level of \$17.57 million. Therefore, there won't be an immediate revenue shortfall in the actual results, related to the RFR, as experienced in 2019 and prior years.

Ms. Reyna-Hickey turned the presentation over to Ms. Jill Leary for a review of the capital program. The five-year capital program totals \$8.3 billion, or nearly twice the amount of the 2019-2023 capital program, thanks to the injection of funds from Rebuild Illinois, which total \$3.7 billion. State funds account for 45% of all funding, followed by Federal Funds at 41%, and all other funding categories at 14% of the total. Jill explained this is a more balanced funding approach compared to prior years when there were no state funds. With the additional funds, the region will be better able to manage the backlog maintenance and rehabilitation of the system. The 2020 capital program is just over \$2 billion, again more than double compared to 2019. The CTA's 2020 capital program is greatest due to a large bond issuance in 2020. In addition, State funds represent 35% of the 2020 program, Federal funds represent 33%, and other local funds including Service Board funds and ICE represent about 1% of the program. Ms. Leary presented a list of 5 principles for programming Rebuild Illinois funds, which were agreed upon by the RTA and the Service Boards. A regional perspective of the projects included in the \$8.3 billion five-year capital program include: \$3 billion spent on rolling stock, track & structure investments of \$954 million, modernization efforts of \$823 million, and nearly \$674 million for stations and passenger facilities. Debt service on CTA bonds totals \$1.1 billion. She concluded by recommending Board adoption of the regional operating budget and capital program.

Director Coulson commented that the CTA's debt service is consuming about a quarter of their capital money, with new issuances coming out in the next few years. He noted that managing debt is important to the financial integrity of the system. With the new State money coming in, there's an opportunity to issue less Service Board debt. Director Coulson advised that it should be a goal of the Board to decrease the debt service percentage in the next budget.

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

9 Ayes: Coulson, Groven, Holt, Kotel, Lewis, Melvin, Ross, Sager, Troiani

ADJOURNMENT

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

9 Ayes: Coulson, Groven, Holt, Kotel, Lewis, Melvin, Ross, Sager, Troiani

The meeting ended at 9:35 a.m.

AUDREY MACLENNAN
Secretary of the Authority

To: Finance Committee

From: Leanne P. Redden, Executive Director

Date: February 11, 2020

Re: Resolutions Certifying Financial Results - Fourth Quarter 2019



**Regional
Transportation
Authority**

175 W. Jackson Blvd,
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Staff is requesting Board adoption of resolutions certifying that the operating financial results of each Service Board and the region as a whole, through the fourth quarter of 2019, are substantially in accordance with budget. The system-wide operating deficit of the Service Boards, including Pace ADA Paratransit, was \$1.538 billion. This result is \$67.4 million, or 4.2%, favorable to the adopted budget. The regional system-generated revenue recovery ratio of 51.9%, which excludes ADA Paratransit, was 1.3 percentage points favorable to budget.

The attached documents include the proposed resolutions that find each of the Service Boards and the region as a whole, through the fourth quarter of 2019, in substantial accordance with the budget established on December 13, 2018. This recommendation is based on unaudited financial results as reported to the RTA by the Service Boards. The RTA staff will inform the Board in the event that the audited financial results of the Service Boards, once received, differ materially from these unaudited results.

Summary of Financial Results

CTA

CTA's operating deficit of \$813.2 million was \$31.1 million, or 3.7%, favorable to budget, and its recovery ratio of 56.5% was 0.9 percentage points favorable to budget. Operating revenues of \$696.9 million were \$10.9 million unfavorable to budget and operating expenses of \$1.510 billion were \$42.0 million favorable to budget.

Metra

Metra's operating deficit of \$385.5 million was \$25.0 million, or 6.1%, favorable to budget, and its recovery ratio of 55.4% was 2.3 percentage points favorable to budget. Operating revenues of \$414.5 million were \$2.8 million favorable to budget and operating expenses of \$800.0 million were \$22.2 million favorable to budget.

Pace Suburban Service

Pace's operating deficit of \$170.1 million was \$7.2 million, or 4.1%, favorable to budget, and its recovery ratio of 30.2% was 0.1 percentage points unfavorable to budget. Operating revenues

of \$55.6 million were \$3.1 million unfavorable to budget and operating expenses of \$225.7 million were \$10.3 million favorable to budget.

Regional ADA Paratransit

ADA Paratransit's operating deficit of \$169.0 million was \$4.0 million, or 2.3%, favorable to budget, and its recovery ratio of 10.4% was 0.4 percentage points favorable to budget. Operating revenues of \$15.0 million were \$0.8 million favorable to budget and operating expenses of \$184.0 million were \$3.2 million favorable to budget.

Region as a Whole

The regional operating deficit of \$1.538 billion was \$67.4 million, or 4.2%, favorable to budget. Operating revenues of \$1.182 billion were \$10.3 million unfavorable to budget and operating expenses of \$2.720 billion were \$77.8 million favorable to budget. The regional recovery ratio of 51.9% was 1.3 percentage points favorable to budget.

Prepared by: Finance, Innovation, and Technology

LPR/BRH/WDL/DKA/SER
Attachments

RESOLUTION NO.

WHEREAS, pursuant to section 4.11(c)(2) of the Regional Transportation Authority Act (the “RTA Act”) the Board of Directors of the Regional Transportation Authority (the “RTA”) determines whether the quarterly financial condition and results of operations of the public transportation services subject to the jurisdiction of the Chicago Transit Authority (the “CTA”) are substantially in accordance with the CTA’s approved budget for that period, not by way of audit but rather through the assessment of data compiled from the financial statements and reports required by section 4.11(c)(2) to be provided by the CTA for such purpose;

WHEREAS, the RTA Board adopted the 2019 operating budget of the Service Boards on December 13, 2018;

WHEREAS, the adopted budget for the CTA includes a budgeted operating deficit and a budgeted system-generated revenue recovery ratio, which reflect and measure the financial condition and results of operations of the public transportation services subject to the jurisdiction of the CTA; and

WHEREAS, the year-to-date operating results of the CTA, through the fourth quarter of 2019, were:

	<u>YTD</u>
Operating Deficit (in millions)	
Actual	<u>\$813.2</u>
Budget	<u>\$844.4</u>
System-Generated Revenue Recovery Ratio	
Actual	<u>56.5%</u>
Budget	<u>55.6%</u>

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the RTA hereby finds that the year-to-date financial condition and results of operations of the public transportation services subject to the jurisdiction of the CTA, through the fourth quarter of 2019, are substantially in accordance with CTA’s budget as adopted by the RTA Board on December 13, 2018.

BE IT FURTHER RESOLVED, that a copy of this resolution be submitted to the Governor, the Mayor of Chicago, and the Auditor General of Illinois in accordance with Section 4.11(e) of the RTA Act.

RESOLUTION NO.

WHEREAS, pursuant to section 4.11(c)(2) of the Regional Transportation Authority Act (the “RTA Act”) the Board of Directors of the Regional Transportation Authority (the “RTA”) determines whether the quarterly financial condition and results of operations of the public transportation services subject to the jurisdiction of the Commuter Rail Division of the RTA (“Metra”) are substantially in accordance with Metra’s approved budget for that period, not by way of audit but rather through the assessment of data compiled from the financial statements and reports required by section 4.11(c)(2) to be provided by Metra for such purpose;

WHEREAS, the RTA Board adopted the 2019 operating budget of the Service Boards on December 13, 2018;

WHEREAS, the adopted budget for Metra includes a budgeted operating deficit and a budgeted system-generated revenue recovery ratio, which reflect and measure the financial condition and results of operations of the public transportation services subject to the jurisdiction of Metra; and

WHEREAS, the year-to-date operating results of Metra, through the fourth quarter of 2019, were:

	<u>YTD</u>
Operating Deficit (in millions)	
Actual	<u>\$385.5</u>
Budget	<u>\$410.5</u>
System-Generated Revenue Recovery Ratio	
Actual	<u>55.4%</u>
Budget	<u>53.1%</u>

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the RTA hereby finds that the year-to-date financial condition and results of operations of the public transportation services subject to the jurisdiction of Metra, through the fourth quarter of 2019, are substantially in accordance with Metra’s budget as adopted by the RTA Board on December 13, 2018.

BE IT FURTHER RESOLVED, that a copy of this resolution be submitted to the Governor and the Auditor General of Illinois in accordance with Section 4.11(e) of the RTA Act.

RESOLUTION NO.

WHEREAS, pursuant to section 4.11(c)(2) of the Regional Transportation Authority Act (the “RTA Act”) the Board of Directors of the Regional Transportation Authority (the “RTA”) determines whether the quarterly financial condition and results of operations of the public transportation services subject to the jurisdiction of the Suburban Bus Division of the RTA (“Pace”) are substantially in accordance with Pace’s approved budget for that period, not by way of audit but rather through the assessment of data compiled from the financial statements and reports required by section 4.11(c)(2) to be provided by Pace for such purpose;

WHEREAS, the RTA Board adopted the 2019 operating budget of the Service Boards on December 13, 2018;

WHEREAS, the adopted budget for Pace Suburban Service includes a budgeted operating deficit and a budgeted system-generated revenue recovery ratio, which reflect and measure the financial condition and results of operations of the public transportation services subject to the jurisdiction of Pace; and

WHEREAS, the year-to-date operating results of Pace Suburban Service, through the fourth quarter of 2019, were:

	<u>YTD</u>
Operating Deficit (in millions)	
Actual	<u>\$170.1</u>
Budget	<u>\$177.3</u>
System-Generated Revenue Recovery Ratio	
Actual	<u>30.2%</u>
Budget	<u>30.3%</u>

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the RTA hereby finds that the year-to-date financial condition and results of operations of the public transportation services subject to the jurisdiction of Pace Suburban Service, through the fourth quarter of 2019, are substantially in accordance with Pace’s budget as adopted by the RTA Board on December 13, 2018.

BE IT FURTHER RESOLVED, that a copy of this resolution be submitted to the Governor and the Auditor General of Illinois in accordance with Section 4.11(e) of the RTA Act.

RESOLUTION NO.

WHEREAS, pursuant to section 4.11(c)(2) of the Regional Transportation Authority Act (the “RTA Act”) the Board of Directors of the Regional Transportation Authority (the “RTA”) determines whether the quarterly financial condition and results of operations of the public transportation services subject to the jurisdiction of the Suburban Bus Division of the RTA (“Pace”) are substantially in accordance with Pace’s approved budget for that period, not by way of audit but rather through the assessment of data compiled from the financial statements and reports required by section 4.11(c)(2) to be provided by Pace for such purpose;

WHEREAS, the RTA Board adopted the 2019 operating budget of the Service Boards on December 13, 2018;

WHEREAS, the adopted budget for Pace Regional ADA Paratransit includes a budgeted operating deficit and a budgeted system-generated revenue recovery ratio, which reflect and measure the financial condition and results of operations of the public transportation services subject to the jurisdiction of Pace; and

WHEREAS, the year-to-date operating results of Pace Regional ADA Paratransit, through the fourth quarter of 2019, were:

	<u>YTD</u>
Operating Deficit (in millions)	
Actual	<u>\$169.0</u>
Budget	<u>\$173.0</u>
System-Generated Revenue Recovery Ratio	
Actual	<u>10.4%</u>
Budget	<u>10.0%</u>

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the RTA hereby finds that the year-to-date financial condition and results of operations of the public transportation services subject to the jurisdiction of Pace Regional ADA Paratransit, through the fourth quarter of 2019, are substantially in accordance with Pace’s Regional ADA Paratransit budget as adopted by the RTA Board on December 13, 2018.

BE IT FURTHER RESOLVED, that a copy of this resolution be submitted to the Governor and the Auditor General of Illinois in accordance with Section 4.11(e) of the RTA Act.

RESOLUTION NO.

WHEREAS, section 4.01(b) of the Regional Transportation Authority Act (the “RTA Act”) requires the Board of Directors of the Regional Transportation Authority (the “RTA”) to prepare an annual budget and financial plan that show that the level of fares and charges for mass transportation provided by, or under grant or purchase of service contracts of the Service Boards, is sufficient to cause the aggregate of all projected revenues from such fares and charges received in each fiscal year to equal at least 50% of the aggregate costs of providing such public transportation in such fiscal year;

WHEREAS, pursuant to section 4.11(c)(2) of the RTA Act, the Board of the RTA determines whether the quarterly financial condition and results of operations of the public transportation services subject to the jurisdiction of its Service Boards - the Chicago Transit Authority, the Commuter Rail Division, and the Suburban Bus Division - are substantially in accordance with the RTA’s approved budgets for the Service Boards for that period, not by way of audit but rather through the assessment of data compiled from the financial statements and reports required by section 4.11(c)(2) to be provided by the Service Boards for such purpose;

WHEREAS, the RTA Board adopted the 2019 operating budget of the Service Boards on December 13, 2018;

WHEREAS, the budgets approved by the RTA for the Service Boards include a budgeted operating deficit and a budgeted system-generated revenue recovery ratio, which reflect and measure the financial condition and results of operations of the public transportation services subject to the jurisdiction of the Service Boards;

WHEREAS, the year-to-date combined operating deficit of the Service Boards, including Pace Regional ADA Paratransit, through the fourth quarter of 2019, was:

	YTD	
Operating Deficit (in millions)		
Actual	<u>\$1,537.8</u>	
Budget	<u>\$1,605.2</u>	; and

WHEREAS, the system-generated revenue recovery ratio of the entire regional public transportation system, apart from ADA Paratransit services, through the fourth quarter of 2019, was:

	<u>YTD</u>
System-Generated Revenue Recovery Ratio	
Actual	<u>51.9%</u>
Budget	<u>50.6%</u>

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the RTA hereby finds that the operating results of the entire regional public transportation system, through the fourth quarter of 2019, are substantially in accordance with the budget as adopted by the RTA Board on December 13, 2018.

BE IT FURTHER RESOLVED, that a copy of this resolution be submitted to the Governor, the Mayor of Chicago, and the Auditor General of Illinois, in accordance with Section 4.11(e) of the RTA Act.