

**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, October 19, 2017 at 9:15 a.m., in Suite 1650, 175 West Jackson Blvd., Chicago, Illinois, pursuant to notice.

Committee Chairman Magalis presided.

ROLL CALL

Committee members present (6): DeWitte, Kotel, Lewis, Magalis, Melvin, and Troiani

Committee members absent (2): Anderson, Coulson

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

Approval of minutes from the meeting held on August 24, 2017

Director Troiani moved, and Director Lewis seconded that the minutes from the meeting held on August 24, 2017 be approved as submitted. The motion carried on the following roll call vote:

6 Ayes: Directors DeWitte, Kotel, Lewis, Melvin, Troiani and Magalis

2 Absent: Directors Anderson and Coulson

Report on the monthly financial results – August 2017

Ms. Bea Reyna-Hickey stated that while operating revenue and sales tax have continued to struggle, Service Board operating expense performance has been good, and ridership has shown some recent signs of improvement. The regional unemployment rate worsened to 4.8% in August. System ridership for the year-to-date is 3.3% lower than prior year, but August ridership was nearly flat versus August 2016. Pace Suburban Service and ADA Paratransit had the largest ridership shortfalls from budget, but Pace ridership has now grown versus prior year for the fourth consecutive month and thus is on an improving trend. Operating revenue was also somewhat improved at 1.9% unfavorable to budget due to strengthening ancillary revenue at each Service Board. Public funding is now 4.4% unfavorable to budget, and the latest three months of sales tax results have shown negligible growth versus 2016. System-wide operating expenses were \$38.7 million or 2.1% favorable to budget, and ADA Paratransit's expense performance has improved since second quarter, consistent with Pace's action plan. The favorable expense performance did not offset the unfavorable revenue, and the system net result was \$19.1 million unfavorable, but this was also an improvement from the last report. The regional recovery ratio of 49.5% is approaching the 50% annual requirement, and has developed a 0.5 point cushion above budget due to improved revenue and expense results.

Director Magalis noted that the news is not good and that Metra and the other Service Boards are taking action to address the funding shortfall, including service reductions.

Director Melvin asked about the outlook for the Real Estate Transfer Tax. Ms. Reyna-Hickey responded that the RETT receipts are volatile, and that RTA uses the City of Chicago's projections, which reflect about 3% growth for 2018.

Ordinance authorizing Innovation, Coordination, and Enhancement (ICE)

Ms. Heather Mullins presented a request for approval of the ordinance authorizing the Executive Director to provide a twelve-month extension to the two-year deadline for expending Innovation, Coordination, and Enhancement (ICE) program funds for the ICE Metra project HJ4808: Electric Outlets in Cars. Metra is seeking a second time extension for the project in order to be reimbursed for work that extends beyond the two-year limit. Delays to this project were due to the limited availability of Union Pacific staff to perform the installations. The project is scheduled to be completed within the one-year extension period with available Union Pacific staff.

Director Troiani moved, and Director Melvin seconded that the proposed ordinance be recommended to the full Board for approval. The motion carried on the following roll call vote:

6 Ayes: Directors DeWitte, Kotel, Lewis, Melvin, Troiani and Magalis

2 Absent: Directors Anderson and Coulson

Ordinance authorizing short-term borrowing

Ms. Reyna-Hickey explained that the proposed ordinance would authorize the RTA to issue up to \$250 million of Direct Placement Working Cash Notes to replace the current Direct Placement of the same amount. The RTA issues short-term debt to manage State funding delays, not funding cuts similar to those included in the SFY 2018 budget. The advantage of a Direct Placement is that it includes both a used rate and an unused rate, allowing the RTA to borrow and repay funds as needed. For much of the first year of the current Direct Placement, the RTA had no funds outstanding, paying only the unused rate. Then, as the State delinquencies increased the original \$150 million Direct Placement was increased to \$250 million. Should the State make progress on reducing its delinquency, the RTA will repay a portion of the \$250 million. The Direct Placement Working Cash Notes will be competitively bid in November. The lender for the Direct Placement will be selected based on responses to a Request for Proposal. Responses will be evaluated based on the terms offered, including the used and unused rate and other fees, terms, and conditions. Currently, the RTA also has an outstanding 2-year fixed rate Working Cash note that matures in May 2018. That makes a total of \$400 million of outstanding short-term debt for operations.

Chairman Magalis noted that issuing this short-term debt is permissible through June 2018. Ms. Reyna-Hickey explained that the RTA has the ability to issue up to \$400 million of short-term debt through June 30, 2018. However, state legislation is pending that will extend the RTA's \$400 million short-term borrowing authority. Director Magalis noted that if the legislation is not approved, the state must significantly reduce its delinquency or substantial funding cuts will need to be imposed. Ms. Reyna-Hickey noted that the bond trustee has the ability to intercept RTA funds to pay holders of RTA debt.

Director Lewis asked if the RTA is at the limit of its long-term and short-term borrowing authority. Ms. Reyna-Hickey responded that the limits on RTA debt are \$400 million for short-term, and \$800 million for long-term. Keeping within RTA's bonding authority, staff will request permission to issue long-term debt early next year.

Director Lewis asked about the letter that the RTA sent to the Service Boards following the August Board meeting. Ms. Reyna-Hickey explained that the letter asked the Service Boards to explain how they have programmed the funds from the RTA's upcoming bonding and to provide details about their free and reduced fare programs that are not required by federal or state law.

Chairman Dillard expressed his displeasure with the 2% surcharge imposed by the State for collecting the RTA sales tax and the sales taxes of other units of local government, particularly at a time when the state is transferring greater responsibilities to local governments. He noted that voters' approval of 70% of all transit referenda in November 2016 demonstrates that other states and regions are choosing to invest more in public transit. He added that public transit is at the top of Amazon's site selection criteria for HQ2. Amazon moves packages; the RTA moves people. Significant consequences will result from the nearly \$100 million reduction in 2017 transit funding adopted by the Board in August, and much of the reduction was caused by the State 2018 budget. Metra Chairman Carlson believes that we are confronting the worst transit crisis in our region's history.

Director Lewis moved, and Director Melvin seconded that the proposed ordinance be recommended to the full Board for approval. The motion carried on the following roll call vote:

6 Ayes: Directors DeWitte, Kotel, Lewis, Melvin, Troiani and Magalis

2 Absent: Directors Anderson and Coulson

ADJOURNMENT

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

6 Ayes: Directors DeWitte, Kotel, Lewis, Melvin, Troiani and Magalis

2 Absent: Directors Anderson and Coulson

The meeting ended at 9:35 a.m.

Audrey MacLennan

AUDREY MACLENNAN
Secretary of the Authority