

**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 14, 2017 at 8:55 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, Coulson, DeWitte, Kotel, Lewis, Magalis, Melvin, and Troiani

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

Approval of minutes from the meeting held on November 29, 2017

Director Lewis moved, and Director Melvin seconded that the minutes from the meeting held on November 29, 2017 be approved as submitted. The motion carried on the following roll call vote:

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

Report on Monthly Financial Results - October

Ms. Bea Reyna-Hickey stated that while operating revenue and sales tax have continued to struggle, Service Board operating expense performance has been good. The regional unemployment rate was flat at 5.1% in October.

RTA system ridership through October was 3.4% unfavorable to budget, with ridership for each month of 2017 coming in lower than prior year. Pace Suburban Service and ADA Paratransit had the largest ridership shortfalls from budget, but Pace ridership has now grown versus prior year for the sixth consecutive month and thus is on an improving trend. Operating revenue was \$21.5 million, or 2.2%, unfavorable to budget. The shortfall is due to the combined effect of unfavorable fare revenue and the lower level of reduced fare reimbursement. Public funding is \$50.2 million or 3.9% unfavorable to budget. The shortfall is due to continued lagging sales tax and PTF, underperforming RETT revenue, and the State imposed funding reductions. System-wide operating expenses were \$67.4 million or 3.0% favorable to budget, and ADA Paratransit's expense performance has improved since second quarter, consistent with Pace's action plan.

The good expense performance did not offset the unfavorable revenue, and the system net result was \$4.3 million unfavorable to budget, but this was an improvement of \$0.3 million from last month's results. The regional recovery ratio of 50.9% was above the 50% annual requirement, and has developed a 0.9 percentage point cushion above budget due to good expense performance.

**APPROVED BY THE FINANCE COMMITTEE
JANUARY 18, 2018**

Director Lewis noted that managing expenses alone will not be enough to absorb the lower funding for long. Ms. Reyna-Hickey responded that the Service Boards are taking structural action to address the funding shortfall within their 2018 budget, which includes service reductions and fare increases.

Director Ross asked if Medicaid reimbursements are from Federal or State funding. Ms. Reyna-Hickey responded that it's Federal pass-through funding that's paid out through the State. Director Ross followed by asking why is there a delay in payment, since these are Federal dollars; and, if we do not receive the funds, do we lose them? Ms. Reyna-Hickey replied that she believes the delays are due to the State reconciling process and that Pace will receive the funds, it's just a matter of timing.

Director DeWitte asked for clarification on the State's timing for taking the 2% surcharge, and why our budget assumptions were different. Ms. Reyna-Hickey responded that the consensus from the budget staff was that the 2% surcharge that was passed with the State Fiscal Year 2018 budget would not take effect until the payment of July's sales tax liability, which wasn't due to be received until the calendar month of October 2017. However, the surcharge took effect with the RTA's May 2017 sales tax, which was received in August, two months earlier than expected. Ms. Leanne Redden added that the 2% surcharge is a processing fee that's associated with the month the State processes the sales tax, rather than the RTA's sales tax liability month.

Ordinances authorizing Quarterly Capital Amendments

Mr. David Spacek presented a short capital program amendment for consideration that included two ordinances. The first ordinance to amend the 2017-2021 Capital Program was a result of a change to the amount of federal discretionary funds awarded in a core capacity grant to the CTA to reflect the actual amount awarded. The amount awarded resulted in a \$131,640 funding increase to the 2017 program, with no funding changes to the out years of the program. The additional funds will be used for the CTA's Red Purple Modernization project.

The second ordinance requested a 12-month time extension for six Metra ICE projects and one Pace ICE project. A brief description of the projects was provided in the ordinance request memo. No additional funding was requested. Staff reviewed the request and finds them justified.

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

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

Ordinance adopting the 2018 Regional and Service Board Budgets

Mr. Bill Lachman began by thanking the RTA and Service Board staffs for their hard work and cooperation during a difficult budget cycle. He briefly recapped the budget timeline which began with the issuance of the business plan call in May. He stated that all of the requisite public hearings and county board presentations had been completed, and he summarized the input received from members of the public at the 30 RTA and Service Board budget hearings.

Mr. Lachman showed the total revenue for 2018 operations of just over \$3 billion by source, with sales tax and operating revenue each representing about 40% of revenue. Regional expenses for operations of just under \$3 billion are projected to grow by 3.2% from the 2017 reforecast, but by only 0.5% from the original 2017 budget. RTA debt service on long-term bonds and short-term borrowing represents 8% of total regional expenses, and the Agency budget of \$34.3 million represents 1.1% of the total. Mr. Lachman presented the revenue and expense highlights for the proposed Service Board budgets and noted that each was balanced and met or exceeded the recovery ratio requirement set by the RTA Board. The budgets combine to a regional recovery ratio of 51.7%, restoring a significant cushion above the 50% requirement.

Mr. Lachman recapped the uses of ICE funding proposed by the Service Boards for 2018, subject to Board approval. CTA will use ICE funding for operations while Metra and Pace will utilize their ICE funding for capital projects. The five-year capital program totals \$4.2 billion and is supported primarily by federal funding (79%), although CTA, RTA, and Pace intend to issue bonds totaling almost \$700 million. Rolling Stock is the largest area of investment at \$1.2 billion or about 30% of the total capital program, followed by Modernization at \$912 million. Track and Structure and Support Facilities and Equipment were the next two largest asset categories at about \$400 million each.

Chairman Dillard suggested that a note should be added to the pie chart for capital funding which shows the State at zero, and that the lack of State support for capital should be emphasized at RTA public presentations. He also noted that debt service represented 8% of the regional budget and asked for a five-year trend of that proportion. Ms. Reyna-Hickey said that she would provide the data, and noted that debt service has been fairly flat despite the increase in short-term borrowing to counter State funding delays. Ms. Reyna-Hickey said that RTA has controlled long-term debt service by terminating derivative agreements and refunding bond issuances when it makes sense to do so. Chairman Magalis noted that the State still owes RTA around \$450 million in funding, which presents continuing uncertainty that the Service Boards may need to respond to in 2018.

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

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

ADJOURNMENT

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

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

The meeting ended at 9:40 a.m.

Audrey MacLennan

AUDREY MACLENNAN

Secretary of the Authority