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, August 25, 2016 at 8:35 a.m., in Suite 1650, 175 West Jackson Blvd., Chicago, Illinois, pursuant to notice.

Committee Chairman Magalis presided.

ROLL CALL

Committee members present (6): Anderson, Coulson, DeWitte, Lewis, Magalis, and Troiani
Committee members absent (1): Buchanan
Other Board members present: Frega, Fuentes, Hobson, Melvin, Pang, Ross, Totten, and Chairman Dillard

Approval of minutes from the meeting held on June 23, 2016

Director Lewis moved, and Director DeWitte seconded that the minutes from the meeting held on June 23, 2016 be approved as submitted. The motion carried on the following roll call vote:

6 Ayes: Directors Anderson, Coulson, DeWitte, Lewis, Magalis, and Troiani
1 Absent: Director Buchanan

Quarterly Performance Report

Ms. Donna Anderson provided a summary report on system-wide 2016 performance compared to 2015. Her first chart showed year-to-date ridership for each of the past 15 years. Ridership was lowest in 2003 following a recessionary period after 9/11/01, continued to rise through 2008, and then declined with the financial crisis. Ridership peaked in 2012, the highest annual ridership year since 1990, followed by three years of decline. Year-to-date 2016 ridership is down 1.6% from 2015. Looking at system ridership by mode, CTA bus is down 4.4% and CTA rail is up 1.2%; both results are better than their peer averages. Metra ridership was up 0.1%, irrespective of a fare increase on February 1. Pace bus ridership was down 3.0%, however, customers are making longer trips more efficiently, with fewer boardings. Vanpool ridership was down 7.3%, which is steeper than the peer average but discussions are underway for new marketing initiatives. ADA Paratransit ridership was up 5.0%, higher than its peer average. Peer regional ridership through the second quarter was provided, and the RTA region was third, despite the decline of 1.6%. Houston led the peers with a 7.4% ridership increase, related to its opening of two new light rail lines in May 2015 and restructuring its whole bus system to better align with its rail service. Year-to-date performance overall is still looking good for the RTA system. There were increases in service, as shown by vehicle revenue hours and vehicle revenue miles, which were up by 1.3% and 0.9% respectively.

Operating costs increased by only 0.3%, after being adjusted for inflation, resulting in a lower operating cost per vehicle revenue hour, a favorable result. Operating cost per passenger trip was higher at $4.25. Fare revenue per passenger trip was up 2.7%, an increase of $0.04, mostly due to Metra's fare increase. The fare recovery ratio, shown without credits or exclusions, was 36.9%, which was unchanged compared to 2015.

Resolutions Certifying Financial Results – Second Quarter 2016

Ms. Bea Reyna-Hickey provided a summary of the Service Board financial results through the second quarter of 2016. Ms. Reyna-Hickey stated that regional unemployment decreased to 6.0% in June, which was 1.1 percentage points higher than the national average. RTA system ridership through June was 2.7% unfavorable to budget.

System operating revenue was 0.5% unfavorable to budget due primarily to lower accrual of the State reduced fare reimbursement and unfavorable ridership. Public funding was unfavorable for Metra and Pace; however, system-wide public funding was favorable to budget by 1.7%, driven by strong RETT results and projected sales tax receipts through May, which were 2.4% higher than prior year.

Regional operating expenses were 2.9% favorable to budget through June, with fuel savings of $12.8 million realized through the second quarter. The system net result was $46.9 million favorable to budget, a $15.4 million improvement from the first quarter report, due to good expense performance by each Service Board and favorable public funding.

The regional recovery ratio of 50.1% was 1.2 percentage points favorable to budget due primarily to Metra's strong performance in operating revenue and system-wide favorable expenses through the second quarter. Each Service Board's operating deficit was favorable to budget through the second quarter, and Ms. Reyna-Hickey recommended that the operating results be found in substantial accordance with the 2016 budget.

Director Magalis asked Ms. Reyna-Hickey to briefly discuss the concerns about raising the recovery ratio. Ms. Reyna-Hickey replied that we are statutorily required to maintain the recovery ratio at or above 50%, so after tough negotiations, each of the Service Boards agreed to raise their recovery ratios slightly for 2017.

Director Lewis asked if there was any seasonality to the recovery ratio. Ms. Reyna-Hickey replied yes, and stated that we are entering our stronger period of the year, where we experience relatively high revenue and low expenses, which should increase the recovery ratio in the coming months.

Director Ross asked what the penalty is if we do not meet the 50% statutory requirement. Ms. Reyna-Hickey replied that we are required to reimburse the State a pro rata share of the public funding that was distributed, equivalent to the revenue shortfall below 50%. Chairman Magalis noted that he does not recall this ever happening.

Director Melvin asked how much of the cost savings is due to lower gas prices versus other cost controls. Ms. Reyna-Hickey had the fuel slide brought back up on the screen and replied that we would have to look at the overall savings to answer that question, but the fuel slide shows direct year-to-date fuel savings of $12.8 million.

Director Troiani moved, and Director Lewis seconded the adoption of the four resolutions. The motion carried on the following leave for last unanimous roll call vote:

6 Ayes: Directors Anderson, Coulson, DeWitte, Lewis, Magalis, and Troiani
1 Absent: Director Buchanan

Ordinance establishing estimates of amounts available to the service boards for their 2017-2019 operating budgets, the required recovery ratios for 2017, and the preliminary 2017-2021 capital program funds

Mr. Doug Anderson began by reviewing the RTA Act requirements and noted that this would be the second consecutive year for early adoption of the funding amounts. Sales tax and RETT growth has been strong, and regional unemployment has been relatively unchanged over the last 12 months. The 2017 sales tax growth assumption is 4.0%, while the RETT is expected to decrease by 12% in 2017 due to the non-recurrence of large one-time transactions in 2015 and 2016. Overall RTA funding to the Service Boards is proposed to increase by $72.2 million or 4.8%, with CTA, Metra, Pace, and ADA Paratransit funding increasing by 5.4%, 5.5%, 4.6%, and 0.4%, respectively.

The funding framework established two years ago was adhered to again in 2017, and the share of operating funding for each Service Board changed by less than 0.5 percentage points versus 2016. Increases to the Service Boards' required recovery ratios were necessary for 2017 in order to ensure a regional ratio of 50%. The proposed recovery ratios are 54.75%, 52.5%, and 30.3% for CTA, Metra, and Pace Suburban Service, respectively. ADA Paratransit's recovery ratio is proposed to be unchanged, at the 10% statutory requirement.

Capital funding for 2017 of $716.2 million is down from the 2016 program of $871.5 million. The lack of a new State capital program is the primary reason we are falling well short of the $1.5 billion in annual spending needed to prevent the backlog from growing. Capital funding is proposed to be allocated 56.5% to CTA, 35.9% to Metra, and 7.6% to Pace Suburban Service. Finally, Mr. Anderson reviewed the business plan calendar for the rest of the year, culminating with Board consideration of the regional budget and five-year capital program at the December 15th Board meeting.

Director Magalis stated that he was very pleased to have a funding proposal that all of the Service Boards have agreed to, that addresses the recovery ratio increase, and that reiterates the decentralized reserve fund policy. He then asked Ms. Reyna-Hickey to recap the State funding situation for 2016. Ms. Reyna-Hickey said that both the Reduced Fare Reimbursement and the State ADA Paratransit funding were appropriated at half the expected levels of $34 million and $8.5 million in the State's stop-gap budget. If the balance of the funding does not come through, the Service Boards will be responsible for adjusting to that reality, while the RTA will continue to manage any delays in PTF payments from the State, which have worsened somewhat to 5-6 months. Ms. Reyna-Hickey noted that ADA Paratransit has developed a bit of reserve, which would help in the short-term, but that Pace needs the full $8.5 million of State funding for this growing service.

Director Lewis asked what the dollar amount of the RETT was for 2017. Mr. Anderson replied that the RETT was forecast at $64.7 million for 2017, after being around the $74 million level for both 2015 and 2016 (projected).

Director Lewis asked if the $150 million of RTA bonds being issued would be reimbursed by the Service Boards, or if they remain outstanding to maturity. Ms. Reyna-Hickey replied that the bonds will probably be issued in the fourth quarter of 2017 and are expected to remain outstanding to maturity, with debt service paid from RTA's share of the sales tax receipts. The proceeds will be allocated 50%/45%/5% to CTA/Metra/Pace. RTA plans to continue to bond to its full authorized capacity of $800 million as previously issued bonds are paid off.

Chairman Dillard referred back to the 2017 capital program allocation chart and asked if any of Metra's $257 million of funding was from fare increases. He also noted that ADA Paratransit's slice of the funding pie was almost as large as Suburban Service's. He expects ADA Paratransit to continue growing strongly, which will put pressure on the other Service Boards' funding. Ms. Reyna-Hickey replied that Metra does continue to transfer some fare revenue to its capital program. Mr. Anderson stated that Metra has done this for some time now, and that $10 million of farebox to capital for 2017 was reflected in the capital funding schedules of the ordinance.

Director Lewis moved, and Director Troiani seconded the adoption of this ordinance. The motion carried on the following roll call vote:

6 Ayes: Directors Anderson, Coulson, DeWitte, Lewis, Magalis, and Troiani
1 Absent: Director Buchanan

Resolution appointing US Bank as the Trustee and Paying Agent under the General Bond Ordinance

Ms. Reyna-Hickey stated that this was a housekeeping item. The Board had approved US Bank as the successful bidder from a competitive process late last year. The ordinance authorizes a tri-party agreement so that the banks involved can transfer the relevant funds.

Director Lewis moved, and Director DeWitte seconded the adoption of this resolution. The motion carried on the following roll call vote:

5 Ayes: Directors Anderson, Coulson, DeWitte, Lewis, and Magalis
1 Absention: Director Troiani
1 Absent: Director Buchanan

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.

6 Ayes: Directors Anderson, Coulson, DeWitte, Lewis, Magalis, and Troiani
1 Absent: Director Buchanan

The meeting ended at 9:25 p.m.

Audrey Maclennan
AUDREY MACLENNAN
Secretary of the Authority