

**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, May 19, 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): Buchanan (phone @ 4b), Coulson, DeWitte, Lewis, Magalis, and Troiani

Committee members absent (1): Anderson

Other Board members present: Durante, Frega, Fuentes, Hobson, Melvin (@ 4a), Pang, Ross, Totten, and Chairman Dillard

Approval of minutes from the meeting held on April 21, 2016

Director Lewis moved, and Director Troiani seconded that the minutes from the meeting held on April 21, 2016 be approved as submitted. The motion carried on the following roll call vote:

5 Ayes: Directors Coulson, DeWitte, Lewis, Magalis, and Troiani

2 Absent: Director Anderson and Buchanan

Quarterly Performance Report

Ms. Donna Anderson provided a summary report on the system-wide performance compared to the first quarter performance for 2015. Her first chart showed first quarter 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 2009, and then declined with the financial crisis. Ridership peaked in 2012, the highest annual ridership year since 1990, followed by three years of decline. First quarter 2016 ridership is slightly higher than in 2015, up 0.3%. Looking at system ridership by mode, CTA bus is down 2.0% and CTA rail is up 3.3%; both results are better than their peer averages. Metra ridership was down 0.3%, reflecting a fare increase on February 1. Pace bus ridership was up 0.4%, which is encouraging following several periods of decline. Vanpool ridership was down 6.7%, but was comparable to the peer average. ADA Paratransit ridership was up 7.0%, higher than its peer average. Peer regional ridership for the first quarter showed that the RTA region was in the middle of the pack with an overall 0.3% ridership increase. Houston led the peers with an 8.6% 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 was overall very good for the RTA system. There were increases in service, illustrated by vehicle revenue hours and vehicle revenue miles, which were each up about 2%. Operating costs increased only 0.2%, after being adjusted for inflation, resulting in a lower operating cost per vehicle revenue hour, a favorable result. Operating cost per passenger trip was unchanged at

\$4.35. Fare revenue per passenger trip was up 2.9%, an increase of \$0.04, and is mostly due to Metra's fare increase. The fare recovery ratio, shown without credits or exclusions, was up 0.8 percentage points, also a favorable result.

Director Ross asked why vanpool ridership declined sharply even as Pace bus ridership grew. Ms. Anderson noted that vanpool usage is particularly sensitive to gasoline prices, which have been very low since late 2014.

Director Hobson reminded staff that he had previously questioned if Pace's ridership projections were too optimistic, and wondered if any adjustments had been made to Pace's budget? Mr. Lachman interjected that he would be addressing Pace's ridership projection in the financial results presentation to follow.

Resolutions Certifying Financial Results – First Quarter 2016

Mr. Bill Lachman provided a summary of the Service Board financial results through the first quarter of 2016. Mr. Lachman stated that regional unemployment increased to 6.5% in March, which was 1.5 percentage points higher than the national average. RTA system ridership through March was 1.9% unfavorable to budget; however, it was 0.1% higher than prior year. Mr. Lachman noted that Pace revised its budget projections down to be more in line with current trends through the first quarter. This did not have any impact on their budgeted revenue or expenses. System operating revenue was 0.3% unfavorable to budget due primarily to lower accrual of the State reduced fare reimbursement. Public funding was favorable to budget by 3.5%, driven by strong RETT results from the sale of the Chicago Skyway in November and sales tax receipts through January which were 3.7% higher than prior year. Regional operating expenses were 3.1% favorable to budget through March, with fuel savings of \$6.1 million realized in the first quarter. The system net result was \$31.5 million favorable to budget, a \$19.8 million improvement from last month's report, due to good expense performance by each Service Board and favorable public funding. The regional recovery ratio of 48.5% was 1.2 percentage points favorable to budget due primarily to favorable expenses, but was lower than the statutory requirement of 50%, which is normal for the winter months.

Director Hobson asked what Pace's new overall assumption for 2016 ridership growth was, and whether Pace had also amended their revenue and expense budget? Mr. Lachman replied that Pace was now assuming that Suburban Service ridership would be flat in 2016, consistent with the year-to-date trend. He explained that no revenue adjustment was made because the lower ridership projection implied an average fare, which was consistent with Pace's actual year-to-date average fare.

Chairman Dillard asked if the 36,000 new jobs Mr. Lachman had reported were in the Central Business District. Mr. Lachman replied that the regional job growth and employment data was for the region.

Director Melvin asked if he had heard correctly that Pace had new fuel providers for ADA Paratransit. Mr. Lachman clarified that there were new operator contracts for ADA Paratransit service, effective for four years (through mid-2018).

Director DeWitte moved, and Director Troiani seconded the adoption of the four resolutions. The motion carried on the following roll call vote:

5 Ayes: Directors Coulson, DeWitte, Lewis, Magalis, and Troiani

2 Absent: Director Anderson and Buchanan

Ordinance Releasing the 2017 Business Plan Call

Mr. Lachman presented an ordinance to release the 2017 Business Plan Call, the first step in the process leading to the adoption of the 2017 operating budget and five-year capital program in December. Mr. Lachman noted that the 2017 budget process will be largely unchanged from 2016 and explained the key requirements of the Business Plan Call. He reviewed the seven criteria for budget and capital program adoption. Mr. Lachman covered the capital program requirements and noted that no new State capital funding is anticipated. There are two new items of note for 2017; a 10-year unfunded priorities analysis for capital projects that would be undertaken with additional funding, and a new ICE schedule to be used for submitting proposed ICE-funded operating or capital projects. Mr. Lachman closed by reviewing the calendar and budget timeline. Important deadlines include September 15th for adoption of funding amounts, September 30th for submission of Service Board proposed budgets, November 15th for submission of Service Board adopted budgets, and December 15th for RTA Board adoption of a regional budget.

Director Magalis noted that the Service Boards were now required to maintain their own reserve funds, but asked if there were any other major changes in the document. Mr. Lachman stated that the 10-year unconstrained capital analysis is the most significant change for 2017.

Director Lewis asked how the Service Boards would manage through the uncertainty of the current State funding situation. Ms. Leanne Redden pointed out that the Business Plan Call does not deal with funding levels; that is dealt with during the adoption of funding amounts later in the summer. She said that the RTA's assumption is that the State funding for transit will be at current statutory levels and will continue to flow. Director Magalis pointed out that the Service Boards are now responsible for managing any reductions in revenue, and they have to submit updated contingency plans as part of their business plans.

Director Hobson suggested that the capital program could not be balanced as the RTA Act requires, due to all of the capital needs. He asked if the Service Boards could provide an analysis of potential fare increases to produce capital funding. Mr. Lachman noted that Metra already takes this approach by diverting some fare revenue to capital funding every year. Director Hobson suggested that the CTA and Pace might want to follow Metra's lead and do the same. Director Magalis stated that funding capital from fares was a good idea, but he also noted that fares cover only about 37% of operating expenses.

Director Coulson requested that any Service Board or RTA proposals for new bond issuances also include a macro analysis of total debt, which has a way of creeping up on governments. Mr. Lachman noted that Exhibit J in the Business Plan Call requires specific parameters on any proposed bond issuances or financing, and that overall debt is a part of RTA staff's analysis.

Director Coulson then noted that the average fare on the system was low at \$1.56, and asked how much the various free ride and reduced fare programs are costing the Service Boards. Mr. Lachman stated that transfers and time-delimited passes also exert downward pressure on the system average fare, along with free and reduced fare rides. Staff would provide the cost by Service Board and program. Director Coulson suggested that if the Reduced Fare funding from the State is withdrawn that some of the programs should be eliminated.

Director Lewis moved, and Director DeWitte seconded the adoption of the proposed ordinance. The motion carried on the following roll call vote.

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

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

The meeting ended at 9:20 p.m.

Audrey MacLennan

AUDREY MACLENNAN

Secretary of the Authority