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, April 20, 2017 at 8:35 a.m., in Suite 1650, 175 West Jackson Blvd., Chicago, Illinois, pursuant to notice.

Acting Committee Chairman Coulson presided.

ROLL CALL

Committee members present (8): Anderson (@ #3a), Buchanan (phone), Coulson, DeWitte, Lewis, Magalis, Melvin (@#3a), and Troiani

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

Approval of minutes from the meeting held on March 16, 2017

Director DeWitte moved, and Director Lewis seconded that the minutes from the meeting held on March 16, 2017 be approved as submitted. The motion carried on the following roll call vote:

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

Report on monthly financial results – February 2017

Ms. Bea Reyna-Hickey provided a summary of the Service Board financial results through February. Ms. Reyna-Hickey stated that regional unemployment decreased to 5.2% in February, which was 0.5 percentage points higher than the national average. RTA system ridership through February was 1.9% unfavorable to budget. January and February ridership were both lower than prior year, and the year-to-date total lagged prior year by 4.8%. System operating revenue was $6.4 million or 3.7% unfavorable to budget due primarily to lower accrual of the State reduced fare reimbursement and unfavorable fare revenue. Public funding was unfavorable for each Service Board, as well as for ADA Paratransit, due to a reduction in State funding. Ms. Reyna-Hickey noted that RTA sales tax grew by only 1.4% in 2016, and by about 2% in January 2017. Regional operating expenses were favorable to budget by $11.4 million or 2.5% through February. The system net result was $0.8 million unfavorable to budget, as good expense performance did not fully offset unfavorable operating revenue and public funding. The regional recovery ratio of 45.7% was 0.4 percentage points unfavorable to budget due primarily to the lower level of reduced fare reimbursement funding from the State. Ms. Reyna-Hickey said that this shortfall was of concern since the adopted budget has only a 0.2 percentage point cushion above 50% for the full year. Ms. Reyna-Hickey noted that if the reduced fare funding from the State could be restored to its budgeted level, the regional recovery ratio would be favorable to budget by 0.3 percentage points.

Director Hobson recalled that he had challenged Pace on their 2017 ridership growth assumption during the Special Finance Committee meeting, and asked if any ridership results were available for the new I-90 Bus-on-Shoulder routes. Ms. Reyna-Hickey replied that she had not yet seen route-level ridership reports on the new services.

Director Hobson asked when the appropriate time might be for Pace to revise their ridership projections. Ms. Reyna-Hickey replied that in 2016 Pace made a revision to their ridership assumption mid-year and that she would continue to discuss ridership shortfalls with Pace staff.

Director Hobson noted CTA's unfavorable operating revenue variance and asked when contingency plans would kick in to address those shortfalls. Ms. Reyna-Hickey said that when the RTA went to a de-centralized fund balance concept in 2015, each Service Board was required to submit a contingency plan for revenue downturns and that each of those plans had been updated as part of the 2017 budget process.

Director Lewis recalled that there is considerable seasonality in ridership and revenue and asked if that seasonality might improve the financial results as we move forward. Ms. Reyna-Hickey said that the Service Board budgets already have appropriate seasonality built in, so that factor alone should not impact the unfavorable variances we are currently reporting.

Directors Anderson and Melvin arrived at this point.

Ordinance amending the 2016A Series Working Cash Notes direct placement

Ms. Reyna-Hickey explained that the State currently owes the RTA approximately $447.6 million, which includes 11 months of PTF that funds the Service Boards and 9 months ASA/AFA that reimburses the RTA for debt service on outstanding SCIP bonds. On December 15, 2015, the RTA Board authorized the issuance of up to $150 million of working cash notes through a Direct Placement facility. That issuance permitted the RTA to interest only on funds outstanding, which were initially limited, rather than on the value of the entire issuance. The proposed ordinance recommends increasing the maximum principal amount of the direct placement facility from $150 million to $250 million. Wells-Fargo, the purchaser of the notes, has agreed to lend the additional $100 million under the same terms as the original $150 million through the original expiration date of January 2, 2018. Interest on funds borrowed is calculated based on 1 month Libor + 48 basis points, which totaled 146 basis points on March 31, 2017. Adoption of this ordinance will increase the RTA's outstanding short-term debt from the current $300 million to the RTA short-term borrowing cap of $400 million.

Director Magalis asked how the RTA was pursuing the State for payment. Ms. Reyna-Hickey explained that the RTA bills the State monthly for PTF and AFA/ASA. The State has paid ASA/AFA through the end of SFY 2016 (June 2016). The RTA expects a payment from the State next week.

Director Magalis noted that the borrowing is necessary to keep the Service Boards whole. In response to Director Magalis' question about the rate the RTA is paying, Ms. Reyna-Hickey said she would get back to him. Through March 2017, the RT has paid interest on the DP of $173,861 and unused fees of $45,000. In 2016, the RTA paid interest on the DP of $171,047 and unused fees of $115,529.

Director Hobson requested the contingency plans for when the RTA's borrowing capacity is exhausted. He asked what levers will be activated and when for the Service Boards' plans. Ms. Reyna-Hickey said she would request plans from the Service Boards.

Director Higgins asked how much funds the Service Boards have. Ms. Reyna-Hickey responded three to four months. Replying to Director Higgins question about whether these amounts were cash or borrowing, Ms. Reyna-Hickey explained that these funds are budgeted for other purposes.

Director Higgins asked about the next opportunity for a State budget. Mr. Jeremy LaMarche responded it would be May 31. Director Higgins then asked if the Board could wait until May 31 to authorize the $100 million increase. Ms. Reyna-Hickey explained that the additional borrowing would fund the monthly PTF payment in May. Asked if this would be a good leveraging opportunity for CTA to raise its recovery ratio, Ms. Reyna-Hickey further explained the RTA needs to make PTF payments to all three of the Service Boards.

Asked by Director Higgins about language in the RTA Act that compels the RTA to borrow for the Service Boards, Ms. Lacombe explained the Service Boards have never exercised this option.

Director Magalis noted that the RTA has been addressing State funding delays for quite some time and should not disrupt the flow of funds to the Service Boards. During the budget process, we can ask the Service Boards for budgets that reflect the increasing State delays.

Chairman Dillard noted that the legislative leaders are aware of funding delays to the RTA. He suggested that he and Mr. LaMarche meet with State Comptroller Susana Mendoza and State Treasurer Michael Frerichs to discuss a solution.

Chairman Dillard asked what the State is doing with the RTA's funds? Mr. LaMarche replied that there is no money in the State coffers.

Director Hobson asked if there was any risk that the State legislature would not approve the next extension of the RTA's temporary additional $300 million short-term borrowing authority. Mr. LaMarche replied that there is always a risk but the bill is out of committee.

Director Lewis asked if the RTA runs the risk of a rating change as a result of additional short-term borrowing. Ms. Reyna-Hickey replied that the rating agencies have noted that the RTA is borrowing only because of delays in funding and has managed its short-term borrowing well. However, the poor ratings of the State of Illinois make it difficult for the RTA to maintain its double A ratings.

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:

7 Ayes: Directors Anderson, Buchanan, Coulson, DeWitte, Lewis, Magalis, and Melvin
1 Abstention: Director Troiani

Ordinance authorizing a Capital Amendment

Mr. Dave Spacek explained that this special amendment had been requested by Metra staff to primarily reprogram state bond funds at IDOT's request in order to draw down the maximum amount of Metra's state bond allocation by the end of state fiscal year 2018. The total funding change to the 2017 program is a $79.33M increase for Metra, driven by the increase of $56.43M in reprogrammed state bond funds from prior years, and an increase of $22.90M in farebox revenue programmed for capital projects. In addition, $10M of 2017 RTA bond funds and $18.52M of Service Board funds will be reallocated from rolling stock rehabilitation programs to the purchase of new locomotives and rail cars.

The proposed project changes to be funded are:

- $26.43M for continued work on Metra's rail car rehabilitation program,
- $30.00M for continued work on Metra's locomotive rehabilitation program,
- $10.00M for the purchase of new Gallery rail cars, and
- $41.42M for the purchase of new locomotives.

The $56.43M of reprogrammed state bond funds will be taken from 14 station rehabilitation and miscellaneous station improvement projects system-wide, and reprogrammed to Metra's on-going locomotive and rail car rehabilitation program. The reallocation of $10M in RTA bond funds and $18.52M of Service Board funds programmed in 2017 from locomotive and rail car rehabilitation to purchase of new rolling stock was made possible by the reprogramming of the state funds and Metra's reprioritization of rolling stock replacement. Lastly, Metra is adding $22.9M of farebox capital to purchase new locomotives.

Director Lewis asked if the station improvement projects were apportioned evenly across the system, and specifically were the Metra Electric District stations that are in need of repairs receiving the attention that they need. Mr. Spacek and Ms. Leary responded that the use of this particular additional funding did not reflect the total distribution of station improvements across the system, which they believed to be equitable.

Ms. Leary provided Director Lewis with the following summary of Metra station projects in the capital program and impact on the construction of these projects caused by the reduction of state bond funds.

Metra Rail Line	Total # of programmed station projects since 2010	Total # of programmed station projects deferred due to reduced to state funding
BNSF	5	0
Heritage Corridor	1	1
Milwaukee District North	3	2
Milwaukee District West	2	0
Metra Electric District	20	5
Rock Island District	15	3
Union Pacific North	5	2
Union Pacific Northwest	5	0
Union Pacific West	7	1
Systemwide Station Improvements	10	1
Total	**73**	**15**

Director Coulson moved and Director Anderson 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, Buchanan, Coulson, DeWitte, Lewis, Magalis, Melvin, and Troiani

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.

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

The meeting ended at 9:20 a.m.

Audrey Maclennan

AUDREY MACLENNAN
Secretary of the Authority