**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, February 15, 2018** at 8:35 a.m., in Suite 1650, 175 W. Jackson Blvd., Chicago, Illinois, pursuant to notice.

Committee Chairman Magalis presided.

**ROLL CALL**

**Committee members present (8):** Anderson, Coulson, DeWitte, Kotel, Lewis, Maglis, Melvin, Troiani (phone)

**Other Board members present:** Durante, Frega, Fuentes (phone), Higgins, Hobson, Pang, Ross, Chairman Dillard

**Approval of minutes from the meeting held on February 15, 2018**

Director Melvin moved, and Director Lewis seconded that the minutes from the meeting held on February 15, 2018 be approved as submitted. The motion carried on the following roll call vote:

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

**Report on monthly financial results – February 2018**

Mr. Doug Anderson opened by stating that the 2018 financial results were off to a satisfactory start, with unfavorable operating revenue more than offset by favorable operating expenses.

RTA system ridership through February was 1.6% unfavorable to budget, and 3.8% lower than prior year. February ridership in particular was impacted by nine consecutive days of measurable snowfall early in the month. Metra had the largest ridership shortfall from budget at 3.0%. Operating revenue was $2.6 million, or 1.4%, unfavorable to budget, primarily due to the lower level of reduced fare reimbursement (RFR) funding from the State. The Service Boards are accruing the RFR at half the budgeted level. Pace had the largest operating revenue shortfall due to unfavorable fare revenue, while ADA Paratransit had a favorable variance of 7.5% due to increased ancillary revenue.

Public funding was $1 million favorable to budget, as January sales tax came in surprisingly strong at 5.6% above prior year after accounting for the 2% surcharge. Future results will determine if January was anomalous or the start of an improving trend in sales tax performance. Mr. Anderson reminded the Board that 2017 finished with only 1.3% growth in pre-surcharge sales tax receipts, and with essentially zero growth after the surcharge. System-wide operating expenses were $7.4 million or 1.6% favorable to budget. However, each Service Board had unfavorable fuel expenses due to rising fuel prices and increased consumption in the cold weather, particularly in early January. Pace Suburban Service and ADA Paratransit had the most favorable expense results, at 7.1% and 3.6%, respectively.

The good expense performance and public funding more than offset the unfavorable operating revenue, and the year-to-date system net result was $5.8 million favorable to budget. The regional recovery ratio of 47.6% was 0.1 points favorable to budget, and the fare recovery ratio and all revenue recovery ratio were a full point higher than prior year due to the favorable impact of the Service Board fare increases. Mr. Anderson stated that it is normal for the recovery ratio to start the year low due to revenue and expense seasonality, and that he fully expected the recovery ratio to strengthen above the 50% annual requirement as the year progresses. He closed by stating that sales tax, ridership, and fuel prices will need to be monitored closely in the coming months.

**Ordinance authorizing the Quarterly Capital Amendment**

Mr. David Spacek presented to the Board two ordinances for approval. The first ordinance amends the 2018-2022 Capital Program that incorporates technical corrections for CTA, and changes in program revenue and expenditures for Metra and Pace. The second ordinance approves time extensions for the implementation of two CTA Innovation, Coordination, and Enhancement (ICE) funded projects.

Director Melvin moved, and Director DeWitte seconded that the proposed ordinances be recommended for Board approval as submitted. The motion carried on the following roll call vote:

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

**Ordinance authorizing the issuance of $150 million in RTA Working Cash Notes**

Ms. Bea Reyna-Hickey informed the Board that the issuance was a negotiated sale. She explained further that the deal was structured to ensure DBE participation with four underwriting firms: Loop Capital Markets, an African American-owned firm, will have 40%, Ramirez & Co., a Latino-owned firm, will also have 40%, Drexel Hamilton, a Service-Disabeled Veteran-owned firm will have 10%, and Siebert Cisneros & Shank Co., a woman-owned firm, will also have 10% of the issuance.

Ms. Reyna-Hickey noted that the RTA issues short-term debt to manage State funding delays, which is currently at $484 million. If it weren't for the delays, the RTA would not be borrowing these funds.

Finance Chairman Magalis acknowledged that the State funding delays are the reason for the debt issuance and noted the legislation (Bill HB5665) pending in Springfield, which extends the RTA's $300 million temporary short-term bonding authority. Ms. Reyna-Hickey stated that until June 2018 we have the authority to issue the additional $300 million in short-term debt. If the short-term borrowing authority is not extended before RTA's short-term debt matures, the RTA will have to pay-off $300 million of the debt as it matures.

Director DeWitte asked if this was the last $150 million of the $400 million cap. Ms. Reyna-Hickey replied that we currently have $400 million outstanding, so this issuance will be to replace an existing issue of $150 million.

Director Lewis praised the Finance team for the diverse group of underwriters and stated that he would like to see it continue. Ms. Reyna-Hickey added her thanks to Ms. Lacombe and he legal staff for their help as well.

Director Hobson asked Mr. LaMarche for a status update on the reissuance of the $300 million temporary short-term borrowing authority extension bill. Mr. LaMarche responded that we do have a bill pending, which is being carried by State Representative Riley. The bill is expected to move through the legislature during the spring, and adjournment is scheduled for May 31.

Director Lewis stated that Representative Riley is not seeking re-election, and then asked if that will have an impact on the bill. Mr. LaMarche replied that it should not have an impact on the bill. He further added that Representative Riley will be in office through the legislative session.

Chairman Magalis asked Mr. LaMarche how optimistic he is about the bill passing. Mr. LaMarche stated that he feels it has a 50% chance of passage, but, as Ms. Reyna-Hickey reported earlier, we do have two years before we run into repayment problems.

Chairman Magalis stressed his concerns over the uncertainty of the bond increase extension bill and stated that the Board should consider requesting staff prepare a contingency payment plan that shows the impact of funding cuts in case the extension is not approved.

Chairman Dillard asked if we should be expecting that an amendment to the bill will again be added that gives the State priority among investors in the event that the RTA defaults on its debt. Mr. LaMarche said that it is certainly a concern, and he does expect a similar amendment to be attached to the bill if it moves forward.

Chairman Dillard asking what are our chances if we request that this amendment be removed from the RTA's bill. Mr. LaMarche replied that he's been exploring that and will continue to explore having this ammendment excluded from the RTA bill.

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

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

**<u>Ordinance authorizing the issuance of up to $150 million of 30-year General Obligation Bonds</u>**

Ms. Reyna-Hickey explained that this ordinance authorizes the RTA to issue up to $150 million of 30-year General Obligation Bonds for Capital Projects, which were approved as part of the December 2016 Budget Ordinance for 2017. They were also approved in the December 2017 Budget Ordinance for 2018. These will be competitively issued to address capital investment shortfalls, since we believe that the role of the RTA is to fully leverage our $800 million borrowing capacity. Distribution of bond proceeds will be 50% to CTA, 45% to Metra, and 5% to Pace. Projects have been included and programed in the Capital Program since December 2016 but have been slightly modified as shown on the list presented. Investment of bond proceeds in such assets as rolling stock, tracks, facility/station upgrades have an average useful life of 25.5 years, which exceeds the requirement based on the maturities of the bond issue. These projects have been vetted by RTA Capital Program staff. The Service Boards have requested to know when the bond proceeds will become available.

Director Magalis asked how close the RTA is to its additional bonds test. He is concerned about continued sales tax growth. Ms. Reyna-Hickey explained that the RTA's additional bond test requirement is 2.5 times the coverage of our debt service. Without including PTF, which we also pledge, our debt service coverage of 3.5 times exceeds the requirement, and the RTA is within its $800 authorization.

Director Magalis noted that if the federal government passes a transit bill which includes provisions that have been proposed pertaining to matching funds, the State cannot be relied upon to provide such a match. Ms. Reyna-Hickey responded that if there are any changes to the authorized projects bond counsel opinion is needed and, if approved, will be presented in the form of a Capital Amendment.

Director Magalis stated that having flexible bonding authority to pledge to a federal matching grant program would be of importance to us since that would be the only revenue source. Ms. Reyna-Hickey agreed and stated that Service Boards would like as much flexibility as Director Magalis mentioned but the RTA is required to identify projects with more specificity in order to determine the average useful life of assets. The challenge is to provide the Service Boards with some discretion but still identify assets in order to meet the average useful life requirement.

Director Lewis inquired about the bond rating. Ms. Reyna-Hickey responded that the RTA is meeting with two of the rating agencies the following week. There is no reason to believe our rating will not be upheld. It is one of the strongest ratings in the region. The RTA has held its S&P and Moody's ratings even when the State Budget did not have a budget, and currently funding has been flowing.

Director Lewis asked if Service Board ratings were similar or lower than the RTA ratings. Ms. Reyna-Hickey responded that Metra has not issued bonds and therefore, has no ratings. Pace issued bonds through the Illinois Finance Authority, which didn't require ratings. CTA ratings are comparable to those of the RTA.

Director Melvin stated that he believes that the Service Boards should issue the debt because they can best weigh the cost of the debt against their operating challenges.

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

7 Ayes: Directors Anderson, Coulson, DeWitte, Kotel, Lewis, Magalis, Troiani
1 Nay: Director Melvin

**ADJOURNMENT**

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

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

The meeting ended at 9:00 a.m.

Audrey Maclennan

AUDREY MACLENNAN
Secretary of the Authority