

**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 21, 2019** at 9:15 a.m., in Suite 1650, 175 W. Jackson Blvd., Chicago, Illinois, pursuant to notice.

Committee Chairman Magalis presided.

ROLL CALL

Committee members present (8): Coulson, Groven, Holt, Kotel, Lewis, Magalis, Melvin, Troiani (phone)

Other Board members present: Durante, Frega, Higgins, Ross (phone), Chairman Dillard

Approval of minutes from the meeting held on December 13, 2018

Director Lewis moved, and Director Melvin seconded that the minutes from the meeting held on December 13, 2018 be approved as submitted. The motion carried on the following roll call vote:

7 Ayes: Directors Coulson, Groven, Kotel, Lewis, Magalis, Melvin, Troiani

1 Abstention: Director Holt

Resolutions certifying financial results – Fourth Quarter 2018

Ms. Bea Reyna-Hickey, stated that the unaudited fourth quarter results were good, and that the regional recovery ratio finished the year almost a full point above budget at 52.6%. RTA system ridership through December was 0.6% favorable to budget, but 2.5% lower than prior year due in part to the fare increases implemented in early 2018. Operating revenue was \$6.8 million, or 0.6%, unfavorable to budget, primarily due to the lower level of reduced fare reimbursement (RFR) funding from the State. Pace had the largest operating revenue shortfall due to unfavorable fare revenue combined with the RFR reduction, while ADA Paratransit had a favorable variance of 7.8% due to increased ancillary revenue.

Public funding was \$6.4 million favorable to budget, as November sales tax came in at 3.3% above prior year before accounting for the 1.5% surcharge. Ms. Reyna-Hickey reviewed the new chart which showed sales tax performance by merchant category, and indicated that Automotive and Filling Stations sales tax had the highest growth due to gasoline prices being higher than 2017. System-wide operating expenses were \$58.0 million or 2.1% favorable to budget, with each Service Board reporting favorable results. Pace Suburban Service and ADA Paratransit had the most favorable expense results, at 5.9% and 3.0% below budget, respectively. However, Service Board fuel expenses were a combined \$8.5 million unfavorable to budget, a slight improvement from the third quarter results.

The good expense performance and public funding more than offset the unfavorable operating revenue, and the year-to-date system net result was \$57.6 million favorable to budget, an improvement of \$13.4 million from the previous month's results. The regional recovery ratio of 52.6% was 0.9 points favorable to budget, and the fare recovery ratio and all revenue recovery ratio were both higher than prior year due to the favorable impact of the Service Board fare increases. Ms. Reyna-Hickey reviewed the operating deficit variances of the Service Boards, with CTA, Metra, Pace, and ADA Paratransit each favorable to budget. She closed by recommending that each Service Board and the region as a whole be found in substantial accordance with budget through the fourth quarter. She reminded everyone that the results she presented were unaudited, and that if the audited results were materially different, she would inform the Board.

Director Magalis stated that the results were good news. The recovery ratio has been met, aided by good expense performance and the 2018 fare increases. He noted that the budgeted recovery ratio for 2019 is tight at 50.6%, providing less margin for error. Ms. Reyna-Hickey said that each Service Board had met its negotiated 2019 budgeted recovery ratio, and the regional recovery ratio was lower than 2018 because fares were not increased for 2019. She observed that the Service Boards' actual recovery ratios tend to exceed their budgeted recovery ratios, sometimes by a significant margin, which provides some reassurance for 2019.

Director Lewis agreed that the Service Boards did a good job controlling expenses in 2018, despite higher fuel prices. He noted that only CTA achieved their fuel expense budget, and asked if fuel-related initiatives such as CNG buses and more efficient locomotives were being realized by the Service Boards. Ms. Reyna-Hickey responded that Metra did not find fuel price futures compelling during 2018, but has locked in 80% of their fuel expense for 2019, so we should see an improvement and stability versus their 2018 fuel performance. She said that CNG fuel for some of Pace's fleet was fully deployed, and that RTA staff would get some additional information from Pace on the specifics of the CNG impact.

Director Coulson noted that the recovery ratio chart showed significant support from ancillary revenue sources, elevating the all revenue recovery ratio well above the fare revenue recovery ratio. He asked what the specific sources of ancillary revenue were, and if they could be leveraged further. Ms. Reyna-Hickey responded that ancillary revenue includes concession revenues, lease of space, and sales of properties. Mr. Doug Anderson interjected that it also includes advertising revenue and investment income, but that lease of space is probably the largest contributor. For Pace, contributions by local governments for specific services such as Dial-a-Rides are allowed to be included as operating revenue.

Director Magalis observed that the fare revenue recovery ratio of 37.4% means that rider fares cover a relatively small part of the trip cost, and that other revenue and public funding have to cover the rest. He said that it would be helpful to show this up front on transit tickets so that customers better understand the value they are receiving, especially when fare increases are being considered.

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

8 Ayes: Directors Coulson, Groven, Holt, Kotel, Lewis, Magalis, Melvin, Troiani

ADJOURNMENT

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

8 Ayes: Directors Coulson, Groven, Holt, Kotel, Lewis, Magalis, Melvin, Troiani

The meeting ended at 9:30 a.m.

Audrey MacLennan

AUDREY MACLENNAN

Secretary of the Authority