

Meeting of the RTA Board of Directors

June 15, 2023

Welcome! Meeting Starts at 9 a.m.

Meeting Agenda: rtachicago.org



1. Call to order

Pledge of allegiance



RTA Board of Directors meeting

2. Roll call

3. Approval of minutes

4. Public comment



5. Executive Director's report



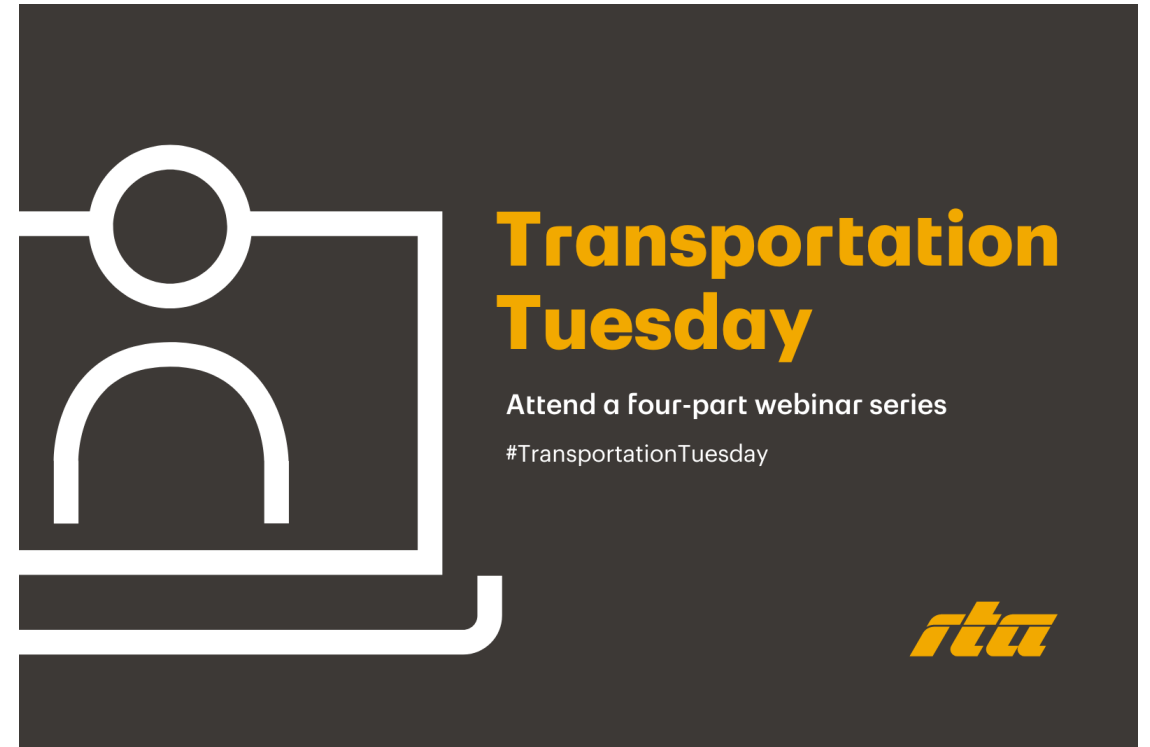
Section 5310 Public Comment

- Recommended program of projects now open for public comment from June 10 to August 8
- Comments may be submitted via the website:
rtachicago.org/region/section-5310
- Presented to the Board in September



Transportation Tuesday

- June 6: A New Era for Chicago Transit
- June 13: Mobility Hubs
- June 20: Transit in Industrial Corridors
- June 27: Advancing a Regional Capital Strategy



Today's agenda



6. Information items

6a. Presentation of the Semi-Annual Project Management Oversight report



PMO Program

- RTA Requirement
- Project Implementation and Delivery
- Transparency
- RTA website and RTAMS



State project life cycle



PMO projects

Projects	Budget (\$ million)	Total number of projects
State Funded	\$3,670.1	82
\$10M or More	\$3,939.1	27
Total Projects	\$7,609.2	109

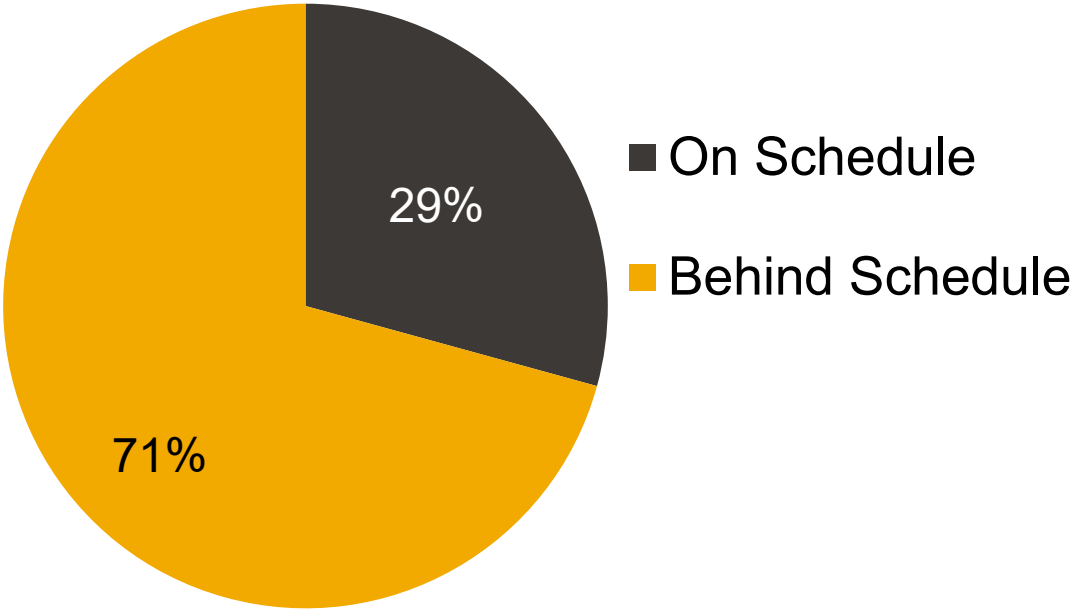


State funded program expenditures

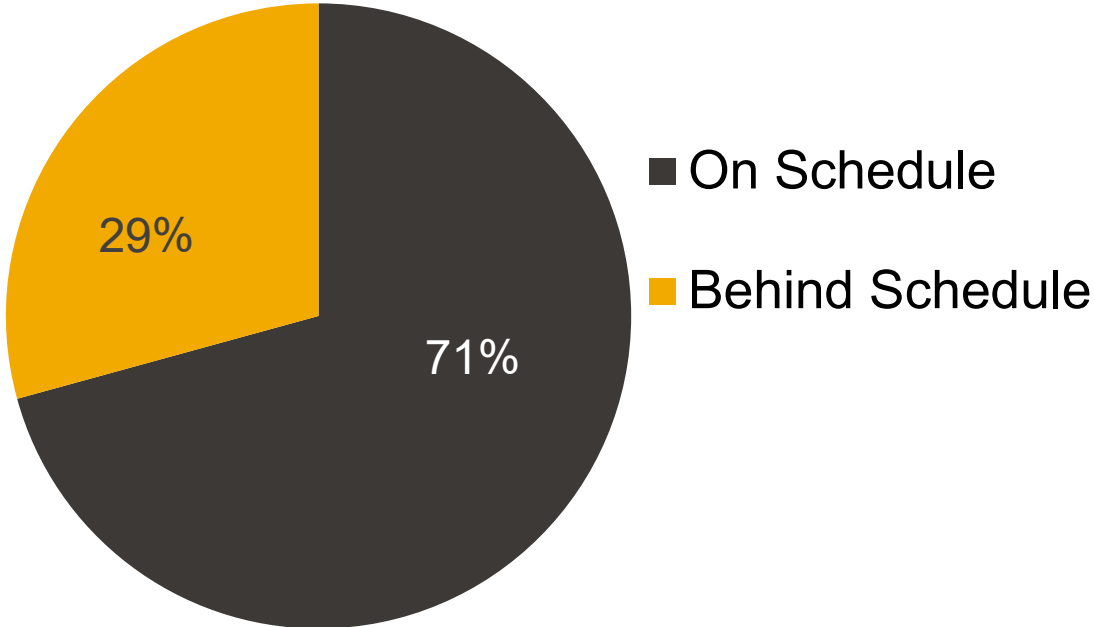
Funding Source	Total Awarded (\$ million)	Expended (\$ million)
Rebuild Illinois	\$2,600.0	\$437.2
PAYGO	\$908.0	\$430.2

Project schedule performance

Preliminary Schedule



Project Implementation Schedule



Project highlights - CTA

- Racine Station & Morgan Substation
 - Addition of elevator at Racine
 - New Morgan substation
 - Hermitage traction power improvements
 - Budget \$97M
- Status
 - Design completed
 - Notice to proceed for construction issued
 - Contractor working on submittals
 - Planned completion – October 2025



Project highlights - Metra

- Metra rolling stock projects
 - Rail car and locomotive rehab
 - Locomotive purchase - \$185M
 - Rail car purchase - \$551M
- Status
 - Rail and locomotive rehab ongoing
 - Four locomotives delivered to Metra
 - First new cars expected in 2024
 - RTA visit to rail shop



Project highlights - Pace

- South Campus in Markham
 - Acceptance Facility
 - Office Building
 - Bus Operator Training Course
 - Budget \$37M
- Status
 - Precast wall installation ongoing at Acceptance Facility
 - Office Building – roofing, electrical installation and metal framing
 - Planned completion October 2023



Future capital needs

- \$7.6 billion in capital investments
- Rebuild Illinois and PAYGO provided a helpful infusion of funding but it's not enough to address the long-term back log
- *Transit is the Answer*



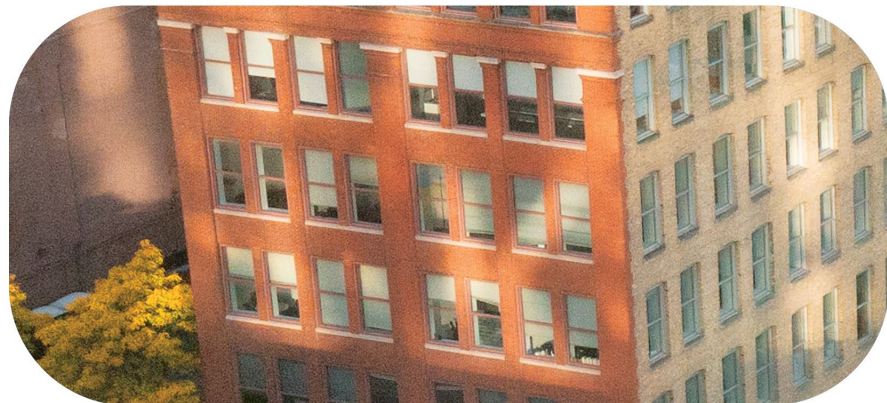
Questions?

**6b. *Transit is the
Answer Update***





LEGISLATIVE



UPDATE

Legislative update – Spring Session

- State FY24 Budget Highlights
 - Increase in appropriation for both ADA Paratransit and state reimbursement for Free and Reduced Fares
 - ADA Paratransit: \$9.1 million (FY24)
 - Free and Reduced Fares: \$19 million (FY24)
- Transit Omnibus
- Other legislative items
 - Transportation Benefits Program
 - Changes to Ride Free program eligibility schedule

Legislative update – Transit Omnibus

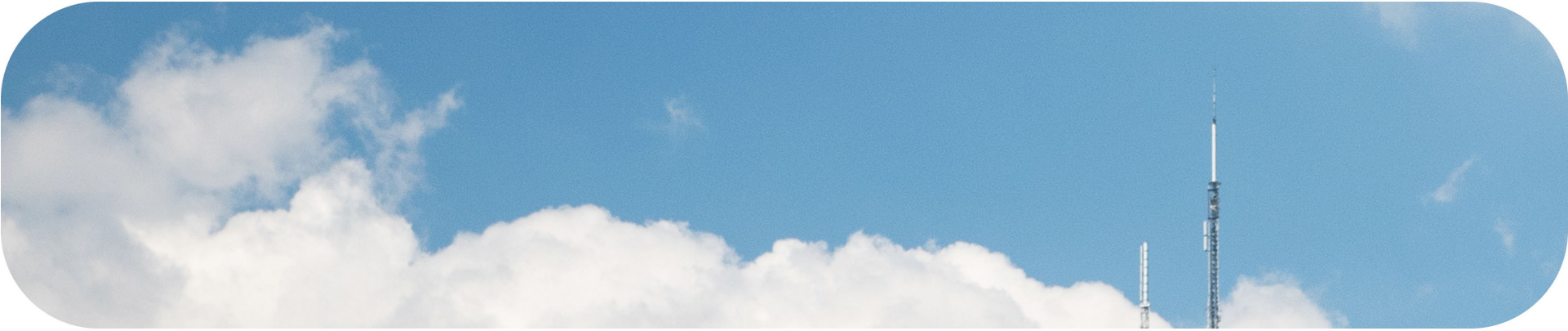
- Transit Omnibus
 - Recovery ratio relief for FY24 and FY25
 - New fare programs and fare study
 - Zero-emission mandate
 - Rider suspension
 - Service board jobs programs
 - Data requirements

Legislative update – federal

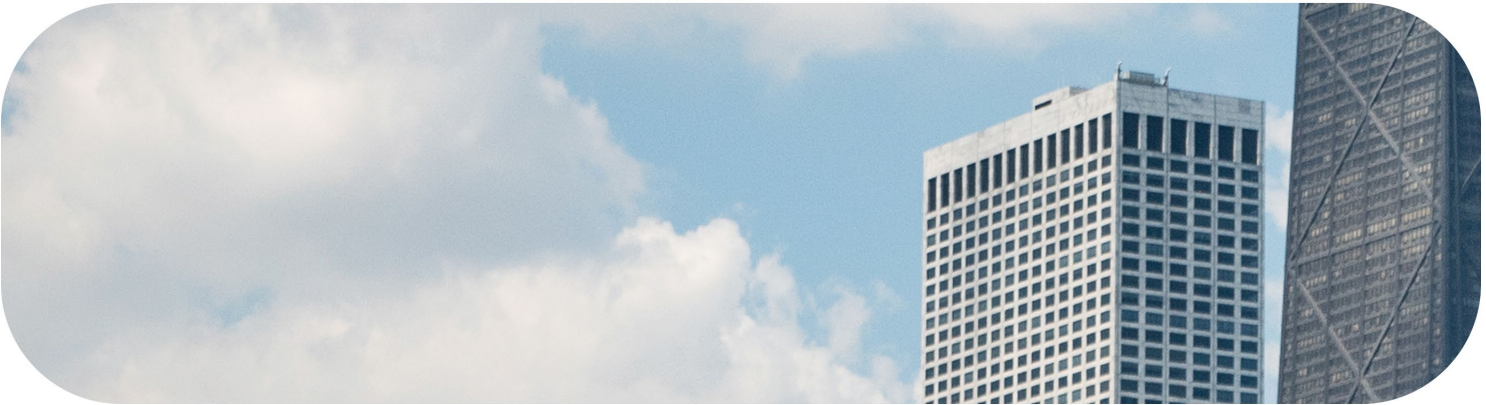
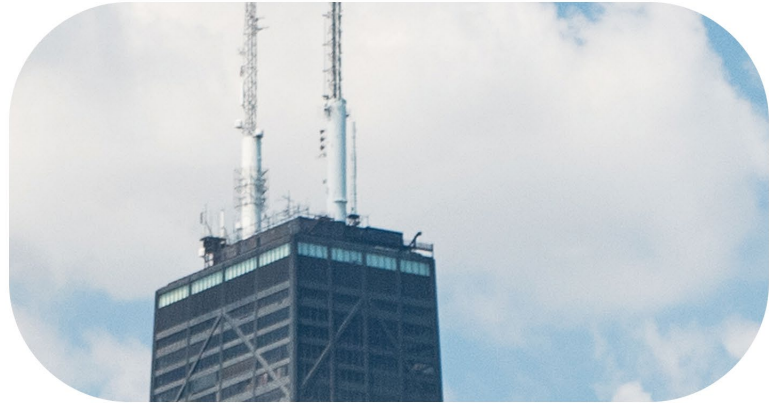


Legislative update - local

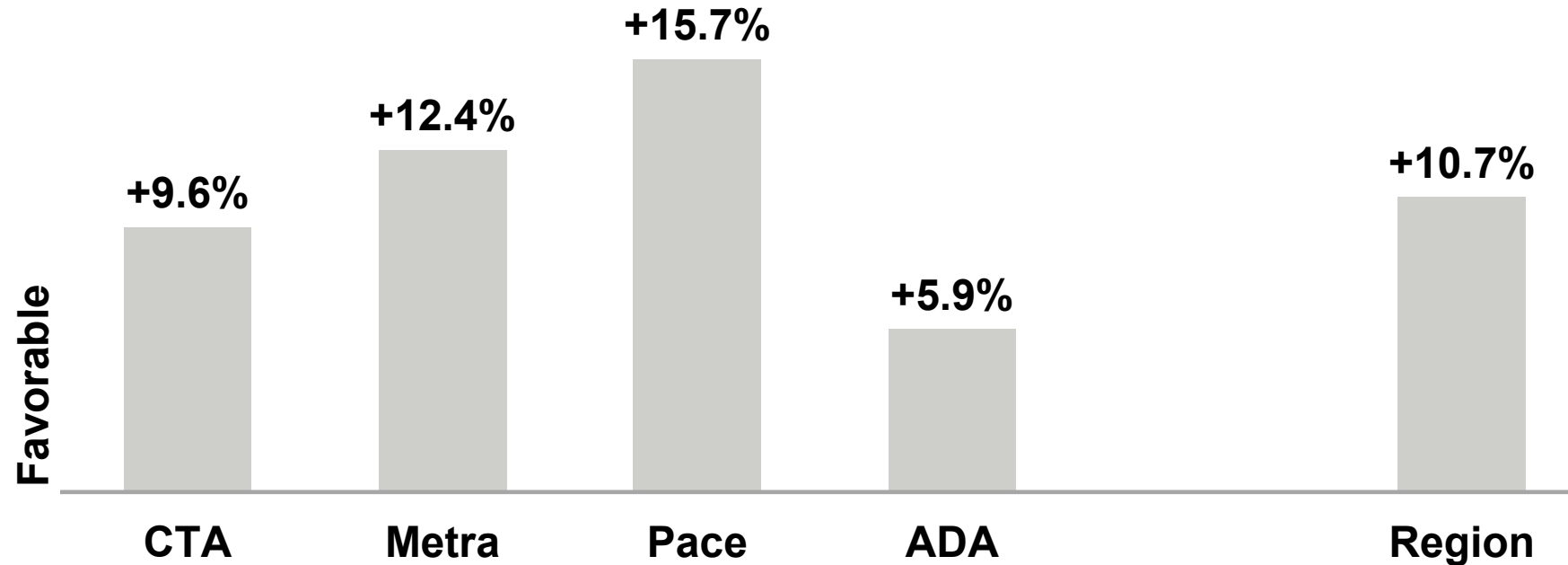




FINANCE



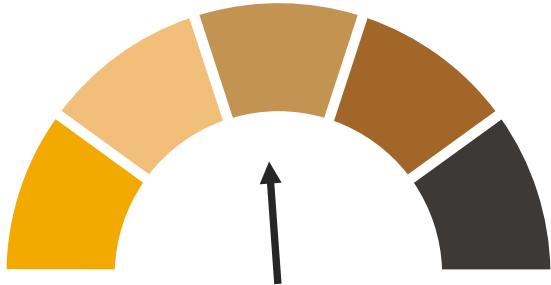
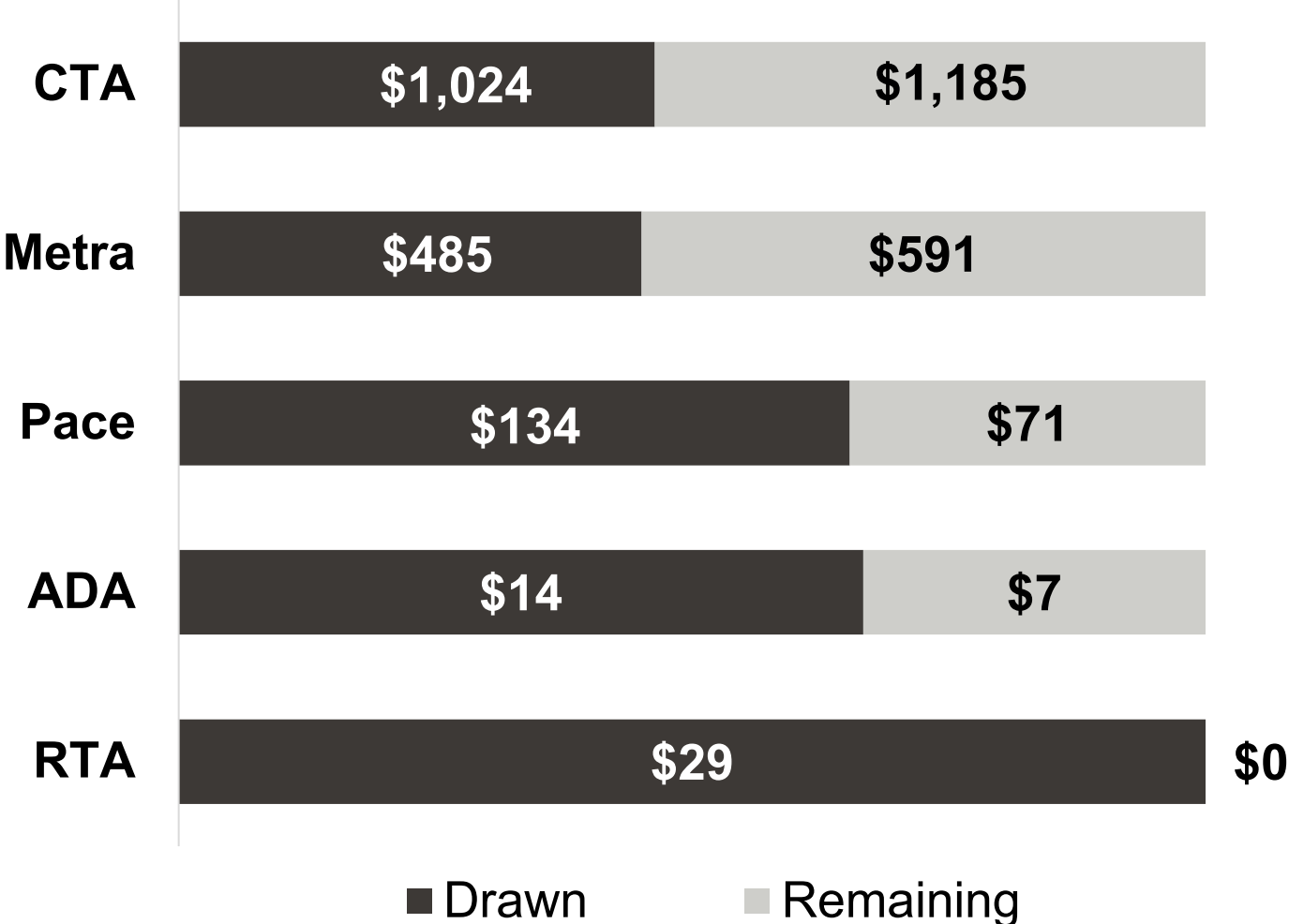
Operating deficit variances from budget YTD through April



	CTA	Metra	Pace	ADA	Region
Budgeted OD:	(\$488M)	(\$260M)	(\$88M)	(\$73M)	(\$909M)
Actual OD:	(\$441M)	(\$228M)	(\$74M)	(\$69M)	(\$812M)
Variance:	+\$47M	+\$32M	+\$14M	+\$4M	+\$97M



Relief funding drawn (in millions)



**Region Total
Drawn = 47.6%**

**\$1.685B
of
\$3.540B**

Expected exhaustion: 4Q25



Updates to finance dashboard – dollar amounts added

YTD: Operating Revenue (OR)

\$208.8M

5.7% variance from budget

YTD: Operating Expense (OE)

\$1,021.1M

7.8% variance from budget

YTD: Operating Deficit (OR-OE)

\$-812.3M

10.7% variance from budget

YTD: Public Funding (PF)

\$611.5M

0.5% variance from budget

YTD: Net Result (OR+PF-OE)

\$-55.0M

\$-50.6M variance from budget

YTD: Statutory Recovery Ratio (OR/OE)

41.7%

-9.9% variance from budget



7. Action items

7a. Amendment of the 2023-2027 Capital Program and Changes to ICE Funded Projects



2023-2027 Funding changes (in millions)

2023-2027 Capital Program Funding Changes	Current	Change	Proposed
Chicago Transit Authority	\$2,948.28	\$0.86	\$2,949.14
Metra	\$2,105.18	\$0.70	\$2,105.88
Pace	\$381.73	\$5.80	\$387.53
2023-2027 Capital Program Total Available	\$5,435.19	\$7.36	\$5,442.55

Pace: Transit Infrastructure Grants

- \$5.8 in Transit Infrastructure Grants
 - Electric Buses (\$1.9M)
 - Electric Paratransit Vehicles (\$1.0M)
 - Transit Signal Priority (\$1.7M)
 - Bolingbrook Park and Ride (\$1.2M)



Electric bus fleet— 2023 estimated cost

	Approx. Buses Needed	Estimated Cost per Bus	Estimated Total Cost
CTA	1850	\$1.2M	\$2.2B
Pace	650	\$1.2M	\$0.8B
Regional Total	2500		\$3.0B

- Note the cost of purchasing electric buses is based on 2023 pricing estimates
- Infrastructure investments are not included



Innovation, Coordination and Enhancement (ICE) funds

- Fund established in 2008
- Amount based on sales tax receipts
- Can fund operating or capital projects
- All projects must be board approved



Innovation, Coordination and Enhancement (ICE) funds

- Board Actions
 - Approval of projects
 - Approval of time extensions
- Projects in this amendment:
 - CTA: Intelligent Vehicle Network
 - Metra: Station Displays
 - Pace: Transit Signal Priority



Proposed Ordinances for approval

- Amendment to the 2023-2027 Capital Program
- Changes to the ICE program

**7b. Ordinance approving
and releasing the RTA
2022 Annual
Comprehensive Financial
Report (ACFR)**





REGIONAL TRANSPORTATION AUTHORITY (RTA)

External Auditor Presentation to
Audit Committee

June 15, 2023

Presenting Today



William (Bill) Sarb

Partner

Lead Partner over the entire RTA audit process



Maria Prado

Partner – Prado & Renteria

Partner and leader of staff assigned to RTA audits



Katie Rodriguez

Manager

Manager on Pension and the Annual Comprehensive Financial Report and assists with the Special Purpose Combining Report



Ronnie Christopher

Manager

Manager on the JSIF, the Federal Compliance Audit and the Special Purpose Combining Report

Scope of Services

- Annual Comprehensive Financial Report (ACFR)
- Special Purpose Combining Financial Report
 - Statutory Basis Compilation of RTA and three service boards
- Joint Self-Insurance Fund (JSIF)
- RTA, Metra and Pace Pension Plan
 - Plan Financial Statements
 - Plan Allocation Schedules (GASB 68)
- Single Audit (Uniform Guidance Report)
- 401k Plan

The New Way of Doing Business – Hybrid Audit

- External audit procedures performed through combination of remote and on-site for the FY 2022 audits
- DBE goal of 12% is currently on track to be achieved
- Audit assistance provided by Prado and Renteria which included assistance with the single audit, pension audit and overall financial statement audit
- Future assistance continues to be committed to be provided by Prado and Renteria on the 401k audit

Audit Process and Innovation

The external audit process is a significant effort which takes strong communication between all involved, we worked with management to perform our audits by using our audit tools and technology to achieve our common goals.



Responsibility of External Auditor

- Our responsibilities under auditing standards generally accepted in the United States of America, have been described to you in our arrangement letters
 - Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks;
 - Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the RTA's internal control;
 - Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures;
 - Concluded, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the RTA's ability to continue as a going concern for a reasonable period of time.

Annual Comprehensive Financial Report

- Financial Highlights

- RTA awarded GFOA Certificate for excellence in financial reporting for the 28th consecutive year
- The overall net deficit is driven by the bonded debt of the RTA for which proceeds were passed to the service boards
- No new debt was issued in 2022, which resulted in an overall decrease to the in net deficit
- General Fund Budgetary Highlights
 - To recognize improving sales tax results, the RTA amended the operating budget in May 2022, increasing both general fund revenue and expenditures by \$30 million
 - Revenues and expenditures exceeded budget by \$445 and \$423 million respectively, largely due to additional state grant funding passed through to the three service boards

Region-Wide Special Purpose Combining Financial Report

- Independent Accountant's Compilation Report
 - Report to be submitted to the State
 - Each Service Board received an independent audit and submit their audited financial statements to RTA
 - Each Service Board certified their final recovery ratio to the RTA
- Recovery Ratios for 2022
 - The financial penalties for not meeting the region-wide statutory requirements have been waived by P.A. 102-0678 in response to the pandemic
 - The region-wide recovery ratio of 44.58%
 - The ADA Paratransit recovery ratio of 9.04%

Additional Financial Audit Reports

- Joint Self-Insurance Fund (JSIF)
 - Net position of \$21.3 million
 - RTA distributed nearly \$10.0 million from the General Fund
 - Insurance premiums were \$9.2 million
- RTA, Metra and Pace Pension Plan
 - Includes non-union employees of RTA, Metra and Pace
 - Combined employer contributions of \$24.7 million were made during 2022
 - Financial market volatility had a large impact in 2022, the portfolio lost \$44.6 million resulting in money weighted loss on plan assets of 12.0%
 - Market funded ratio decreased from 82.2% in 2021 to 67.5% in 2022 for actuarial funding purposes, the ratio decreased from about 74% to 73% in 2022, the difference is due to the investment loss smoothing process

Audit Results

- We anticipate the issuance of or have issued an unmodified “clean” opinions over the following:
 - JSIF – Completed in March as required by Statute
 - RTA, Metra and Pace Pension Plan
 - Annual Comprehensive Financial Report
- No material weaknesses were identified during our audit
- Results associated with the audit team’s specifically identified audit risks – tested, no material exceptions noted
 - Management Override of Controls
 - Fraudulent Revenue Recognition
 - Actuarial valuation of net pension liability
 - Valuation of investments

Federal Compliance Audit

- Single Audit

- The RTA reported total federal expenditures of \$8.6 million in 2022
- Federal Programs
 - \$4.4 million related to the Federal Transit Cluster,
 - \$4.1 million related to the Transit Services Programs Cluster
 - \$95 thousand in remaining federal expenditures were spread across several other programs, which are consistent with prior years
 - Based on the results of the expenditures in 2022, we determined that the Federal Transit Cluster was the only required major program.
- We performed detailed testing procedures over the major program and to date, we have not identified any instances of noncompliance, procedures are ongoing.

Accounting Standards

- Implemented in the current year
 - GASB Statement No. 87 *Leases*
- Upcoming accounting pronouncements
 - GASB Statement No. 96 *Subscription-Based Information Technology Arrangements*
 - GASB Statement No. 99 *Omnibus 2022*
 - GASB Statement No. 100 *Accounting Changes and Error Corrections*
 - GASB Statement No. 101 *Compensated Absences*

Summary of Required Communications

Area	Comment
Significant or unusual transactions	We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatement – Passed Adjustments	There were no uncorrected misstatements or passed adjustments noted.
Preferability of Accounting Policies and Practices	Under GAAP, in certain circumstances, management may elect among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.
Alternative Treatments Discussed With Management	We noted no alternative treatments within GAAP for accounting policies and practices related to material items that were discussed with management during the current period.

Summary of Required Communications

Area	Comment
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	Management did not have any consultations with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Significant Written Communications Between Management and Our Firm	<ul style="list-style-type: none">• Arrangement Letter• Management Representation Letter

Concluding Thoughts

- We worked closely with Kevin Bueso, John Yu, Celestine Thornhill and the rest of the Finance team to work through our understandings and procedures over the financial statements.
- Strong communication on both sides (including regular status meetings both in-person and via Microsoft Teams) proved to be key to getting to this point.
- This concludes our presentation, we are happy to address any questions or concerns that any of the Directors may have.



THANK YOU FOR YOUR
TIME AND ATTENTION

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QUESTIONS AND ANSWERS



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**7c. Ordinance approving
the Combining Financial
Report and certifying
compliance with the RTA
Act recovery ratio
requirement
for 2022**



**7d. Ordinance
amending the contract
for integrated graphic
design and
on-demand
services**



**7e. Ordinances
authorizing renewals for
Enterprise Resource
Planning (ERP) software
subscriptions and
related services**



7f. Approval of travel expense reimbursement(s)








8. New business

Adjournment

The next meeting of the RTA Board of Directors is scheduled for Thursday, July 20.

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