

**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 16, 2017 at 8:50 a.m., in Suite 1650, 175 West Jackson Blvd., Chicago, Illinois, pursuant to notice.

Committee Chairman Magalis presided.

ROLL CALL

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

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

Approval of minutes from the meetings held on December 15, 2016

Due to the lack of a physical quorum, this item was deferred to a later date.

Presentation on the RTA 2016 Capital Asset Condition Assessment Report

Ms. Jill Leary presented the RTA Capital Asset Condition Assessment 2016 Update Report (the 2016 Report). This series of reports, first published in 2010, provide an assessment of the current physical conditions and 10-year capital reinvestment needs of the RTA system. The 2016 Report reflects the reinvestment needs of the region's transit assets as of December 31, 2015 and allows for a clarifying look at strategic investments to bring the region's transit assets into a State of Good Repair (SGR). Ms. Leary noted the exemplary commitment of the Service Boards for their participation and staff commitment during this process.

The presentation explained the report findings as follows: The region's current backlog is \$19.4 billion, which refers to the total amount of deferred reinvestment actions such as overdue replacement of assets that currently exceed their useful life. The region's normal replacement, estimated at \$11.1 billion, refers to the ongoing replacement of existing assets as they complete their useful. The total RTA 10-Year capital reinvestment need equals \$37.7 billion.

Ms. Leary presented the condition of the major capital asset categories: Guideway, Stations, Vehicles, Facilities, and Systems, consistent with the five-level scale pioneered by the Federal Transit Administration (Excellent, Good, Adequate, Marginal and Worn). The RTA assigned a predictive condition value based on age and other factors. The total value of all transit capital assets in the region is \$162 billion.

The presentation showed that the CTA's total capital 10-year reinvestment need of \$23.1 billion represents 61.2% of the regional need. This amount includes a \$12.5 billion backlog and \$10.6 billion in future normal capital reinvestment needs, including replacement of vehicles, stations,

facilities and track and structures. Metra's 10-year reinvestment needs are \$12.0 billion with \$6.1 billion in backlog and \$5.9 billion in normal capital reinvestment, most of which includes deferred bridge, and vehicle replacements and rehabilitations. Metra's needs represent 31.9% of the region's needs. Pace's 10-year reinvestment needs total \$2.6 billion with a \$755 million backlog and \$1.8 billion in normal capital reinvestment, which represents almost 7% of the regional needs. Pace's five-year capital program focuses on the purchase of new buses with over \$200 million in rolling stock improvements.

Ms. Leary then presented an analysis on the level of investment required to attain specific investment targets and the gap between the required and expected funding. To handle only ongoing investment and prevent the backlog from growing requires an estimated \$1.5 billion in annual expenditures. To attain a full SGR in 20 years (including full elimination of the backlog), an estimated \$2.6 billion in annual reinvestment is required. However, expected RTA regional capital funding for the next 20 years is currently projected to be an annual average of only \$785 million per year. This projection does not include any Illinois state capital funding because of the current lack of a state capital program.

Ms. Leary explained that one of the uses of this report is to predict the region's capital funding needs and the projected funding available to cover those needs. Based on these projected annual average capital funding levels estimated at \$785 billion, the current backlog will grow over time, potentially increasing from \$19.4 billion today to over \$30 billion by 2035.

Ms. Leary concluded by explaining that the RTA and Service Boards have set an annual funding target of between \$2-3 billion per year to address the SGR needs of the system and undertake limited modernization, enhancement and expansion initiatives. The new FTA TAM (Transit Asset Management) Rule requires each of the Service Boards to prepare individual TAM plans and submit them to the FTA by October 2018. The assessment process undertaken together as a region has provided a strong foundation for the Service Boards to use and move forward. This work has also brought awareness to the region of the extent of our capital needs and funding requirements.

A smaller, easier to read version of the report, titled "Bridge the Gap," to be used in advocacy with the region's stakeholders was distributed to the Board members.

Director Magalis commented on the importance of this report and how far the region has come since 2009 when the first update was issued. At that time, the region as a whole had no understanding of the total capital investment needs.

Director Anderson asked how the huge backlog is affecting the safety of the system. Ms. Leary responded that no asset under operation in the system is considered unsafe. Safety is a priority for the Service Boards and assets are maintained to operate safely. Chairman Dillard also emphasized the importance of running a safe system and the conversations he continuously has with the Executive Directors of each of the Service Boards on the safety of the system. He

indicated that the region as a whole does an excellent job not only keeping the system safe but also running it efficiently compared to its peers. Chairman Dillard indicated the need for a stable source of funding to improve transit in our region, to encourage economic development and as a response to the increase in the use of transit by millennials.

Director Coulson asked for clarification on the definition of State of Good Repair used by the FTA vs. the one used by the RTA. Ms. Leary explained that the RTA uses a definition based on age and the FTA uses a definition based on condition - rather than age.

Director Hobson asked if we were using the same definitions in evaluating SGR needs as our peers. Ms. Leary responded that the RTA region is ahead of many peers in undertaking this work, but that the new TAM ruling of the FTA has created uniform definitions for the SGR performance measures that all the transit agencies will be using going forward.

Director Melvin asked if Metra had other sources of funding for some of their bridge reconstructions. He added he is concerned about the high level of debt the region is undertaking. Ms. Leary stated that the sources of funds outlined – federal, local, RTA, and Service Board (including issuance of debt) were the sources currently available to support the capital program.

Director Lewis asked if the report included Metra's required investment in Positive Train Control. Ms. Leary responded that it did.

Presentation on the Quarterly Performance Report – Fourth Quarter 2016

Ms. Leary provided a summary report on system-wide 2016 performance compared to 2015. Her first chart showed year-to-date ridership for each of the past 15 years. Compared to 2002, 2016 ridership was up 2.8%. Ridership peaked in 2012, when it totaled 659 million rides; but is followed by four years of declining ridership in 2013-2016. Annual 2016 ridership is down 3.2% from 2015. Looking at system ridership by mode, CTA bus is down 5.6%, equal to peer performance. CTA rail ridership is down 1.3%, but performed better than the peer average. Metra ridership was up 0.4%, equal to peers and irrespective of a fare increase on February 1. Pace bus ridership was down 5.2%, slightly better than the peer average. Vanpool ridership was down 10.5%, significantly steeper losses in comparison to its peers. ADA Paratransit ridership was down 1.0%, while its peers increased 4.2%, the first time it has been down year-over-year. Peer regional annual ridership was shown, and the RTA region ranked fourth, with the decline of 3.2%. Annual performance overall is mixed for the RTA system. There were increases in service, as shown by vehicle revenue hours, which were up by 0.4%. Operating costs increased by 1.6%, after being adjusted for inflation, resulting in a higher operating cost per vehicle revenue hour, an unfavorable result. Operating cost per passenger trip was higher at \$4.28, resulting from two unfavorable inputs – higher operating cost and lower ridership. Fare revenue per passenger trip was up 2.5%, an increase of \$0.04, mostly due to Metra's fare increase. The fare recovery ratio, shown without credits or exclusions, was 37.1%, which was 1.0 percentage points lower compared to 2015.

Resolutions certifying financial results for the Fourth Quarter 2016

As a physical quorum was not present, presentation and action on this item was deferred to the full Board.

ADJOURNMENT

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

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

The meeting ended at 9:30 a.m.

Audrey MacLennan

AUDREY MACLENNAN

Secretary of the Authority