

**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, August 20, 2015 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 (6): Buchanan, Coulson, DeWitte, Lewis, Magalis and Troiani

Committee members absent (1): Anderson

Other Board members present: Durante, Frega, Fuentes, Hobson, Melvin, Pang, Ross, Totten, and Chairman Dillard

Approval of minutes from the meeting June 25, 2015

Director DeWitte moved, and Director Troiani seconded that the minutes from the meeting held on June 25, 2015 be approved as submitted. The motion carried on the following roll call vote:

6 Ayes: Directors Buchanan, Coulson, DeWitte, Lewis, Magalis and Troiani

1 Absent: Director Anderson

Resolutions certifying financial results – Second Quarter 2015

Ms. Reyna-Hickey provided a summary of the Service Board year-to-date financial results through June 2015. Ms. Reyna-Hickey stated that regional unemployment was unchanged over the first half of the year at 6.2%. RTA system ridership through June was 1.8% unfavorable to budget and 0.4% lower than prior year, but was showing some signs of improvement. System operating revenue was 1.3% unfavorable to budget due to a modest shortfall in fare revenue and lower accrual of the State reduced fare reimbursement. However, public funding results are strengthening, with sales tax through April tracking about 1% higher than budgeted. Regional operating expenses were 1.8% favorable to budget through June, with fuel savings representing about 40% of the variance. The system net result was \$24.3 million favorable to budget, a \$6 million improvement from last month's report, mainly due to good Service Board expense performance. The regional recovery ratio of 50.2% was 0.3 percentage points unfavorable to budget, but exceeded the 50% statutory requirement for the first time this year.

Regarding certification of second quarter financial results, Ms. Reyna-Hickey reported that all Service Board operating deficits were within an acceptable variance from budget, and recommended that the Board find the results in substantial accordance with the 2015 budget.

Ms. Reyna-Hickey then gave an update on the performance measures for the first half of the year. A peer comparison showed that RTA system ridership, although down 0.4% from prior year, had the second best performance of the 10 peer regions. CTA rail ridership was 0.4% higher, while CTA bus and Metra ridership were down less than 1%. Pace bus ridership decreased 6% due to route consolidation and the discontinuation of cash transfers last summer. Finally, Ms. Reyna-Hickey reviewed specific first half performance metrics for the RTA system, which showed that service levels and costs have generally increased over last year, and that average fares are higher due to Metra's fare increase.

Director Totten asked if the fact that almost all peer regions are losing ridership is troubling. He asked if the Board could see a peer comparison, which goes back a few more years? Ms. Reyna-Hickey responded that ridership is down nationally due mainly to lower bus ridership, but rail is doing relatively well. Lower gas prices in the first half of the year also had a negative impact on ridership. Ms. Reyna-Hickey said that she would provide the peer comparison.

Director Lewis asked if the Board could see what the expense growth has looked like for all expenses excluding fuel since fuel expense is a relatively small part of the operating budget. Ms. Reyna-Hickey said that fuel's share of the operating expense budget varies by Service Board, and that she would also provide this analysis.

Director Hobson asked if the fact that operating expense per passenger trip is growing faster than fare revenue per passenger trip is having a negative effect on the recovery ratio. Could the Board receive a history of what these metrics have been doing over the last several years? Ms. Reyna-Hickey responded she would provide the data requested, and that a recovery ratio increase had been considered for this year, but was decided against due to the uncertainty in the State budget.

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

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

Ordinance establishing estimates of funding amounts available to the Service Boards for the 2016-2018 operating budgets, the required recovery ratios for 2016, and the preliminary 2016-2020 capital program funding amounts

Ms. Redden provided some opening remarks, which recognized the hard work that had resulted in the potential to adopt the funding amounts in August for the first time in RTA history. She also stressed that we had to assume State funding levels would continue at current statutory levels, since there is no State 2016 budget as of yet.

Ms. Reyna-Hickey began by thanking the Service Board CFOs for their efforts in reaching a funding agreement. Mr. Lachman then gave a presentation to the Board. He noted that while sales tax growth has continued to exhibit strength, the Real Estate Transfer Tax (RETT), which funds CTA operations only, is expected to decrease in 2016 since there were several large and one-time commercial building transfers in 2015.

Mr. Lachman covered the proposed operating funding levels for each Service Board, which reflect 4.4% growth for CTA, 3.1% growth for Metra, 2.7% growth for Pace Suburban Service, and 1.1% growth for ADA Paratransit, enabled by the cost-saving terms in Pace's latest provider contracts. The shares of operating funding by Service Board are very similar to the 2015 budget, and the required recovery ratios are unchanged from 2015. Capital funding for 2016 totals \$643 million, down significantly from 2015, which contained a \$557 million TIFIA loan to CTA. There is no State capital funding reflected in the 2016-2020 funding amounts, and the lack of a State program is the primary reason that current capital funding projections are inadequate with respect to the region's needs. Of the \$643 million, CTA will receive \$422 million or 66%, Metra will receive \$180 million or 28%, and Pace will receive \$41 million or about 6%.

Director Totten asked if since the public hearings for the budget are so poorly attended, can we look at discontinuing them? Ms. Reyna-Hickey explained that the hearings are required by law. Ms. Redden explained that we have combined hearings with the Service Boards where possible in order to save time and money. She also said that hearings are well attended in budget years when fare increases or service reductions are proposed.

Director Lewis asked if the capital allocations were part of the negotiation? Ms. Reyna-Hickey responded they were not and that most of the capital is distributed via federal formula. The CTA's share is high because they have been proactive in issuing bonds for capital and pursuing grants, TIFIA, etc.

Director Buchanan questioned if we are projecting funding out too far given the delays and uncertainty in the State funding situation. Ms. Reyna-Hickey replied that a three-year projection is required by the RTA Act, that 2017 and 2018 are preliminary estimates subject to change, and that when we know more about the State funding picture we have mechanisms to amend the funding and budgets as needed.

Director DeWitte asked if the RTA Board has the authority to modify or eliminate the free ride and reduced fare programs? Chairman Magalis explained we could not because the free and reduced fare ride programs were established by State law. If the State discontinues its subsidy for these programs, the State should modify or eliminate the programs as well. He stated that these programs cost the Service Boards \$30-\$40 million per year. Ms. Reyna-Hickey interjected that it was more like \$100 million. Mr. LachmanP clarified that some of the reduced fare rides are required by federal law rather than state law.

Director Troiani moved, and Director DeWitte seconded that the proposed ordinance be recommended to the full Board for approval. The motion carried on the following roll call vote:

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

ADJOURNMENT

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

6 Ayes: Directors Buchanan, Coulson, DeWitte, Lewis, Magalis and Troiani

1 Absent: Director Anderson

The meeting ended at 9:35 p.m.

Audrey MacLennan

AUDREY MACLENNAN

Secretary of the Authority