**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, December 17, 2015 at 8:35 a.m., in Suite 1650, 175 West Jackson Blvd., Chicago, Illinois, pursuant to notice.

Committee Chairman Magalis presided.

**ROLL CALL**

**Committee members present (6):** Anderson, Coulson, DeWitte, Lewis, Magalis and Troiani
**Committee members absent (1):** Buchanan
**Other Board members present:** Durante, Frega, Fuentes, Hobson, Melvin (@ #3), Pang, Ross, Totten, and Chairman Dillard

**Approval of minutes from the meetings held on November 19, 2015 and December 3, 2015**
Director DeWitte moved, and Director Lewis seconded that the minutes from the meetings held on November 19, 2015 and December 3, 2015 be approved as submitted. The motion carried on the following roll call vote:

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

**Report on monthly financial results – October 2015**
Ms. Reyna-Hickey provided a summary of the Service Board financial results for the year-to-date through October 2015. Ms. Reyna-Hickey stated that regional unemployment decreased to 5.3% in October, which was 0.3 percentage points higher than the national average. RTA system ridership through October was 1.4% unfavorable to budget and 0.3% lower than prior year, and October ridership was lower than prior year. Ms. Reyna-Hickey noted that October is always the highest ridership month of the year due to no major holidays and generally favorable weather. System operating revenue was 1.7% unfavorable to budget due to lower accrual of the State reduced fare reimbursement. However, public funding results are strengthening, with sales tax through August tracking about 4.9% higher than 2014. Regional operating expenses were 2.1% favorable to budget through October, with fuel savings representing about 40% of the variance. The system net result was $67.2 million favorable to budget, a $10 million improvement from last month's report, due to good Service Board expense performance and strong public funding results. The regional recovery ratio of 52.0% was 0.4 percentage points unfavorable to budget, but exceeded the statutory requirement by a significant margin, despite the operating revenue shortfall from budget.

**Semi-Annual Report on Project Management Oversight (PMO)**

Mr. Jim Hickey presented the Semi-Annual Report on Project Management Oversight. The 49 projects reported upon constitute a total of approximately $4.2 billion in transit capital projects. As of the current reporting period, one project is under budget and the remaining projects are all within budget. As to schedule adherence, 83% of projects remain on schedule if delays caused solely by uncertainty of state capital funding are excused. However, if these delays are included, only 48% of the projects are on schedule. Due to this lack of funding, many projects are on hold, or suspended in various phases. Four currently ongoing projects have change orders executed; however, 88% of the added cost was for added value to the project and only 1% of added cost has been due to errors or omissions. Specific details regarding budget, schedule, and scope are included in the PMO Report.

Selected highlighted projects include the CTA Wilson Transfer Station, a $206 million undertaking that has remained on schedule and within budget. Metra's highlighted project is the Union Pacific West Line Expansion, which is a 50-50 Public-Private Partnership with the Union Pacific Railroad. Finally, Pace continues to successfully purchase over-the-road buses, which are used for Bus on Shoulder service.

Director Magalis asked if we have usually seen positive news in previous versions of the PMO report. Have we previously seen delays caused by a lack of state funding? Ms. Reyna-Hickey replied that state funding has not caused delays to projects before. The state has committed to ultimately honoring its commitments, and the Service Boards would have to seek a capital program amendment to add any state funding that comes through in the future.

**Ordinances authorizing short- and long-term borrowing**

Ms. Reyna-Hickey reported on two ordinances pertaining to new RTA borrowings One ordinance authorizes $150 million of short-term notes. The second ordinance authorizes $108 million of capital project (long-term) bonds.

Short-term notes are borrowings to bridge a gap between when cash flow is budgeted and when funds are actually received. These instruments provide funding for both operating expenses and capital projects. Generally, notes are taxable to investors.

Long-term bonds generally finance infrastructure (capital) projects. The maturity of the bonds generally mirror the useful life of the projects being financed. Long-term bonds issued by the RTA are tax-exempt to investors.

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

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

**Ordinance authorizing the 2015 Capital Program Amendment for the fourth quarter 2015**

Ms. Jill Leary introduced the Fourth Quarter Amendment to the 2015 Capital Program. Included in the amendment was a slight decrease in federal funds to reflect the full year federal apportionment and an increase in Service Board funding for Pace, for a total program increase of $1.65 million. Pace made use of positive budget variance funds totaling $1.65M to provide for the design and engineering work of the Barrington Road I-90 Pedestrian Bridge project for $0.65 million and the purchase and installation of bus shelters and signs for $1.0 million.

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

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

**Ordinance adopting the 2016 Regional and Service Board budgets**

Mr. Bill Lachman presented an overview of the proposed 2016 Regional Business Plan for adoption by the RTA Board. Mr. Lachman began with an outline of the seven-month process that began with the 2016 Business Plan Call approved and released by the RTA Board on May 21, 2015. The Business Plan Call defined the information requirements that the Service Boards follow in the development of their 2016 Business Plans, which include the 2016 Operating Budget, 2017-2018 Two-Year Financial Plan, and 2016-2020 Five-Year Capital Program. A collaborative effort by CTA, Metra, Pace, and the RTA staff resulted in a funding agreement adopted unanimously by the RTA Board on August 20th, almost a month prior to the September 15th statutory deadline. Over the course of October and November, the RTA staff conducted a review of the proposed Service Board Business Plans and consolidated them with the proposed RTA Agency Business Plan into the proposed Regional 2016 Business Plan. In November, the RTA CFO and Executive Director presented the regional budget to each County Board. On November 4th and 5th, the RTA and Metra held joint public budget hearings throughout the RTA region. The Service Boards adopted their 2016 budgets and capital programs at their November Board meetings. Mr. Lachman presented the RTA 2016 Agency budget at the RTA Finance Committee meeting on November 19th. At a special meeting of the RTA Finance Committee held on December 3rd, the Service Boards presented their budgets and fielded questions from RTA directors. Also on December 3rd, Directors Pang and Coulson participated in the RTA’s last public budget hearing. Throughout this period, the proposed Regional 2016 Business Plan was available for review and comment on the RTA website.

Mr. Lachman described the revenue and expense budgets for operations. Total revenue for operations in the 2016 regional operating budget is projected to exceed $2.9 billion, an increase of 1.2% from the 2015 estimate. Sales tax receipts are expected to grow by 3.5% to just under $1.2 billion, and are the largest revenue component at 41% of the total. Service Board operating revenue from fares and other sources, such as advertising and concessions, are projected to grow by 1.6% to $1.1 billion, and are the second largest component at 39%. The State's 30% Public Transportation Fund match on the RTA Sales tax and the City of Chicago Real Estate Transfer Tax (RETT), in the amount of $377 million comprises 13% of the total revenue. Reimbursement from the State for debt service on Strategic Capital Improvement Program (SCIP) bonds is expected to hold steady at $130 million or about 4% of total revenue. The RETT levied in the City of Chicago to fund CTA operations is projected to decrease by 6.8% from the 2015 budget to $63.6 million, or 2% of total revenues. Finally, other revenue, including State ADA Paratransit funding and federal sources, represents 1% of total revenue for operations.

Total 2016 operating expenses are projected to grow by 3.2% to $2.9 billion. Collectively, the Service Board operating budgets account for more than 90% of regional expenses. The CTA's operating budget comprises half of regional expenses followed by Metra at 26%, Pace Suburban Service at 8%, and Pace Regional ADA Paratransit Service at 6%. RTA Regional Debt Service of $222.3 million accounts for 8% of regional expenses. The RTA Agency administrative and RTA Regional Programs expenses total $35.2 million and account for only 1% of regional expenses. Joint Self-Insurance Fund expenses of $6.4 million represent less than one quarter of 1% of regional operating expenses.

Mr. Lachman then presented a brief review of each Service Board budget. The CTA's balanced operating budget reflects an expense increase of 3.3% to nearly $1.5 billion and a recovery ratio of 55.4%, exceeding the RTA requirement of 54.5%. Metra's budget is balanced with fare revenue expected to grow by 2% in line with its fare increase. Expenses are projected to increase by 2.8% to $780.2 million. The budgeted recovery ratio of 52.4% exceeds the RTA requirement of 52.0%. Pace Suburban Service operating expenses are projected to grow by 7.1% to $228.0 million, driven by new expenses for debt service, Ventra operating fees, and 2015 and 2016 service expansions. The budget is balanced and the recovery ratio of 30.0% meets the RTA requirement. The Pace Regional ADA Paratransit budget anticipates continued ridership growth of 5% with operating revenue expected to increase in line with ridership. Total expenses are projected at $174.8 million, driven by both ridership growth and contractor rate increases.

Mr. Lachman explained that the allocation of 2016 RTA Innovation, Coordination, and Enhancement (or ICE) funding followed the new process launched for the 2015 budget. For 2016, a total of $12.2 million was allocated to the CTA, Metra, and Pace. The CTA proposes dividing its $5.8 million share between operating and capital. Operating funds in the amount of $1.0 million will help support the new express bus service on Ashland and Western Avenues. ICE-funded capital projects include an update of the CTA's Origin-Destination Model, implementation of IT Projects, Business Continuity & Disaster Recovery, and improvements to Facilities and Vehicle Maintenance. Metra proposes using ICE funding for several capital projects which include Mobile Application Enhancements, implementation of a Crew Optimization System, Automated Passenger Counters, and Platform Heating Technology. Pace proposes using ICE funding to replace its Intelligent Bus System (IBS) Equipment.

Finally, Mr. Lachman outlined the funding sources and uses of the proposed $3.9 billion 2016-2020 capital program. Federal funds account for $2.6 billion or more than two-thirds of all funding sources. The RTA and all three Service Boards intend to issue bonds to fund the five-year program. Service Board funds and $36.8 million of RTA ICE funding round out the five-year capital funding picture. There is no State funding supporting the five-year capital program. Over the five-year period, $1.2 billion or about 30% of capital funding will be expended on rolling stock. Stations & Passenger Facilities is the second largest asset category at $732 million. Electrical, Signal & Communications is the third largest asset category at $323 million. Track & Structure is the fourth largest asset category at $309 million.

Following Mr. Lachman's presentation, Director Magalis noted that the budget ordinance eliminates the requirement that the RTA reach an undesignated/unreserved fund balance of 5% of operating expenditures by the end of the three-year planning period. The Service Boards accepted responsibility for responding to funding cuts.

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

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

**ADJOURNMENT**

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

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

The meeting ended at 9:30 p.m.

*Audrey Maclennan*

AUDREY MACLENNAN
Secretary of the Authority