

**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 13, 2018** at 8:40 a.m., in Suite 1650, 175 W. Jackson Blvd., Chicago, Illinois, pursuant to notice.

Committee Chairman Magalis presided.

**ROLL CALL**

**Committee members present (7):** Coulson, Groven, Kotel, Lewis, Magalis, Melvin, Troiani

**Other Board members present:** Durante, Frega, Higgins, Pang, Ross, Sager, Chairman Dillard

**Approval of minutes from the meeting held on November 28, 2018**

Director Lewis moved, and Director Kotel seconded that the minutes from the meeting held on November 28, 2018 be approved as submitted. The motion carried on the following roll call vote:

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

**Report on Monthly Financial Results – October 2018**

Ms. Eva De Laurentiis stated that the October results had improved the year-to-date net result. RTA system ridership through October was 0.7% favorable to budget, but 2.4% lower than prior year due in part to the fare increases implemented in early 2018. October is normally our highest ridership month, and this year was no exception, with monthly ridership exceeding 2017 for only the second time this year. Operating revenue was \$5.6 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 8.6% due to increased ancillary revenue.

Public funding was \$6.6 million favorable to budget, as August sales tax came in strong at 4.7% above prior year before accounting for the 1.5% surcharge. Ms. De Laurentiis noted that higher gasoline prices continue to drive strong sales tax results which in turn produce more RTA sales tax for the region. System-wide operating expenses were \$40.9 million or 1.8% favorable to budget, with each Service Board reporting favorable results. Pace had the most favorable expense results at 4.7% below budget.

The good expense performance and public funding more than offset the unfavorable operating revenue, and the year-to-date system net result was \$41.8 million favorable to budget, an improvement of \$3.8 million from the previous month's results. The regional recovery ratio of 52.7% was 0.7 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. Finally, Ms. De Laurentiis informed the Board that the Service Boards have done a good job controlling expenses to offset the shortfall in funding from the State, while also growing their other revenues to further close the gap.

**Report on Project Management Oversight (PMO)**

Ms. Violet Gunka-Gurgul provided a summary of the PMO report that was provided to Board members as part of their briefing. She stated that the report is designed to make it straightforward for the Board to easily see progress, issues, and risks for transit capital projects in the region. Ms. Gunka-Gurgul highlighted that the PMO program includes oversight of all state-funded capital projects and all other projects with budgets of \$10 million or more. The projects in the report are part of prior years' programs as there has not been a capital bill passed in Illinois since 2009. RTA implements the PMO program to fulfill the requirements in the RTA Act to oversee the Service Boards' capital programs and expenditures.

Ms. Gunka-Gurgul reported that 17 of the 18 state-funded projects are on budget, with the only exception being Healy Station, which came in under budget. Ms. Gunka-Gurgul proceeded to report that 14 of the 18 state-funded projects are on schedule, with four projects behind schedule. The four projects behind schedule are CTA Rail Car Rehabilitation, Metra Hazel Crest Station, Metra Union Pacific (UP) North Line Bridges and Ravenswood Station, and Pace Bus Improvement at the Joliet Gateway Center. Ms. Gunka-Gurgul reported that 78% of the projects are without change orders and the total cost of change orders represents less than 1% of the overall budget for the state-funded projects. Ms. Gunka-Gurgul also highlighted and provided an overview of the CTA 95<sup>th</sup> Street, Belmont, and Jefferson Park station improvements projects, Metra's Positive Train Control project and Pace's Toyota Park Transportation Center project.

Director Lewis asked whether there was a consistent reason why the four projects were behind schedule. Ms. Gunka-Gurgul responded that three of the projects were on the UP-North Line, which is owned by UP. The UP review time for submittals and other documents caused many delays to the projects. UP addressed the issue by hiring consultants to assist UP and shorten their review time.

Director Coulson reported that he saw the Healy station and thinks it looks great. He followed up by asking how the project came in a third under budget, as well as if any lessons can be learned from that for budgeting other projects. Ms. Gunka-Gurgul responded that the PMO team will work with Metra to implement any lessons learned on future project budgeting.

**Ordinance authorizing Quarterly Capital Amendments**

Ms. Tatiana Jane presented two ordinances to the Committee. The first ordinance was for an amendment to the 2018-2022 Capital program incorporating changes in program revenues and expenses for CTA and Metra. The total funding increase to the 2018-2022 Capital Program is for \$14.8M. Of this amount, \$14.6M is for CTA and \$0.2M is for Metra. Pace's Capital Program remains unchanged. The \$14.6M increase for CTA consists of \$13.1M in new federal funding for 2018 from a few federal sources: Homeland Security grant, Lo-No Emission discretionary grant, and reprogramming of old Section 5337 funds. The balance of \$1.5M is for the realignment of previously programmed RTA ICE funds. The CTA will use the new federal funds and ICE funding for transit police, cyber and physical security, purchase of electric buses, overhaul of 5000 Series rail cars using federal funding and ICE funding for purchase and installation of bus mobile communication devices. For Metra, the \$0.2M increase comes from lapsing federal formula funds originally allocated to Southwestern Wisconsin UZA and is being added to the Positive Train Control project.

The second ordinance incorporates a change in the CTA Innovation, Coordination and Enhancement (ICE) Program. This change adds a new project to the RTA ICE program. These changes are reflected in the first ordinance as part of the capital program amendment.

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

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

**Ordinance adopting the 2019 Regional and Service Board Budgets**

Mr. Doug Anderson began by thanking the RTA staff and Service Board leadership for their hard work and cooperation during the 2019 budget cycle. He briefly recapped the budget timeline which began with the issuance of the business plan call in May. He stated that all of the requisite county board presentations had been completed, and that the new approach of live streaming a single public hearing to the required locations throughout the region had allowed the public to view the Service Board presentations either in-person, at an RTA-staffed location, or anywhere with an internet connection. The new approach also allowed the public to provide input either during the hearing or at a later date via e-mail.

Mr. Anderson showed the total revenue for 2019 operations of \$3.1 billion by source, with sales tax and system-generated revenue each representing about 40% of revenue. Regional expenses of \$3.1 billion for 2019 operations are projected to grow by 3.0% from the 2018 budget. RTA debt service on long-term bonds and short-term borrowing represents 8% of total regional expenses, and the Agency budget of \$41.9 million represents 1.4% of the total. Mr. Anderson noted that each Service Board budget was balanced and met or exceeded the recovery ratio requirement set by the RTA Board. The budgets combine to a regional recovery ratio of 50.6%.

Mr. Anderson recapped the uses of ICE funding proposed by the Service Boards for 2019, subject to Board approval. CTA and Pace intend to use ICE funding for operations while Metra plans to utilize ICE funding for capital projects. The five-year capital program totals \$4.3 billion and is supported primarily by federal funding (77%), although CTA, RTA, and Pace intend to issue bonds totaling around \$900 million. Once again, the five-year program contains no State funding for capital. Rolling Stock is the largest area of investment at \$1.4 billion or about 32% of the total capital program, followed by Modernization at \$868 million. Track and Structure and Support Facilities and Equipment were the next two largest asset categories in the five-year program at more than \$400 million each.

Director Magalis thanked the Service Boards and staff for another cooperative budget season. He noted that the budget process begins very early in the year, and is guided by the Budget Call, which is an important policy document. He said that the Board had recently heard from, and had the opportunity to ask questions of the Service Boards at the November 28<sup>th</sup> presentation of their budgets and capital programs. He stated that staff had worked hard to provide all of the required information, and as a result the Board was in a good place to move forward with the 2019 budget.

Director Lewis agreed that the process had gone well, but he noted that the regional recovery ratio was budgeted at 50.6%, significantly lower than 2018, and asked if we might be cutting it too close to 50%. Ms. Bea Reyna-Hickey responded that the recovery ratio is tight and that while we would like more of a cushion, it is difficult for the Service Boards to commit to a higher number in light of ridership declines and the lack of a fare increase this year. She also noted that the Service Board submissions had exceeded their required recovery ratios, and said that she expected good Service Board expense performance to continue to protect the recovery ratio requirement.

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

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

**ADJOURNMENT**

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

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

The meeting ended at 9:10 a.m.

*Audrey MacLennan*

---

AUDREY MACLENNAN  
Secretary of the Authority